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Currency Management and Economic Development of the Philippines 161
Home Ownership in Malaya 166
Universities in Indonesia and Thailand 167
Japan's Technical Cooperation 168
The Manufacture of Iron and Steel in the Far East 169
Japan
Economic Review 172
Korea
Economic Survey 177
Taiwan
Consumption, Importation & Distribution of Chemical Fertilizers 181
Economic Indicator of Taiwan .. 183
Hongkong
Notes 184
Hongkong—Asia's Playground .. 185
Finance & Commerce:
Hongkong Exchange Markets; Hongkong Share Market; HK Stock Exchange in July; Singapore Share Market; July Trade Reports; Commodity Prices on July 30 187
Hongkong Trading Partners, 1954 Part XIV 192

CURRENCY MANAGEMENT AND ECONOMIC DEVELOPMENT OF THE PHILIPPINES

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The Philippine government has embarked on an economic development program on a scale never contemplated before, both from the point of view of the scope and the number of projects to be undertaken as well as of the amount of financing involved. President Magsaysay's five-year economic plan calls for the expansion and improvement of agricultural production through the construction of irrigation systems and farm-to-market roads; increased use of fertilizers, modern agricultural implements and improved varieties; expansion of farmer's cooperatives and cottage industries; and opening of land to the landless. In the field of industrial development, the program includes the establishment of various new industries and expansion of existing ones that would utilize local raw materials and produce substitutes for imported goods. The development of water power sites to produce cheap power is an integral part of the economic program.

The administration has also drafted a bold road program to concrete and asphalt highways all over the Philippines. The initial program calls for the simultaneous construction of 938 kilometers of roads not only in Luzon but also in Mindanao.

The economic program is calling for around 260,000 people during the first year, and it would create around 200,000 new jobs each succeeding year. The employment opportunities that would be made available by the program are expected to absorb the increase in the labour force every year.

To carry out this vast economic program, including the highway project would require the investment of about P800 million annually for a period of five years. An initial aggregate investment of over P600 million is planned for various economic projects during the first year, and P20 million has been recommended for the highway program for 1954-1955, of which P5 million has been already raised and made available by the sale of government bonds.

Deficit Financing: The injection of such a huge amount of money into the money supply and income stream of the nation is of significant concern to the financial and monetary authorities of the country. Financing economic development by government borrowing has been commonly regarded as deficit financing which some observers believe should be avoided by all means. Now, deficit financing is a post-war feature of the financial system of most countries. In the Philippines, it was not quite possible on any scale before the war because the financial structure and the monetary system did not permit its wide practice. It was not really until after World War II and especially after the establishment of the Central Bank of the Philippines in 1949 that government borrowing both for budgetary and developmental purposes could be undertaken on a large scale.

The financing of the economic program is not to be undertaken by the government alone. The investment of around P4 billion during a period of five years includes both private and public investment. In fact as envisaged by the National Economic Council, this huge amount would involve a larger aggregate private investment than public investment.

The increase in the public debt through the sale of bonds in order to finance various projects directly undertaken by the government and the increase in bank lending to accommodate expansion in the private business sector both lead to the increase in the money supply which might result in inflation. The inflation immediately following the war was unavoidable and has already been arrested. But the recurrence of inflation is expected with the impact of the vast development program being contemplated unless the financing program is properly regulated. In the implementation of the economic program, the question has often been asked: What are the prospects of maintaining monetary stability? This article will focus attention on the aspects of monetary and fiscal policies that would keep the peso sound.

The Concept of Sound Money: The concept of a sound peso has meant to some people that the currency must have a 100 per cent reserve. That is to say, the total money supply should be backed up 100 per cent in dollar reserve, if possible the currency reserves shall be in gold. This is the nineteenth century concept of sound money. The advocates of this type of sound money would like the Philippines to adopt the traditional gold standard which had been almost completely abandoned since the start of World War I. The principal trading countries went back to gold after World War I, but they were forced to abandon gold again during the great depression of 1929-1933. No country today is making any serious effort to return to the traditional gold standard as the only road to sound money.

What is generally regarded as sound money today is not necessarily one that has a 100 per cent backing or one that is redeemable in gold. The peso is sound if its purchasing power, that is to say, the amount of goods and services it can buy, remains the same from one year to another. Most currencies today have only a partial reserve, either in gold or freely convertible currencies, but monetary stability is nevertheless possible if the quantity or supply of money could be regulated so as to avoid wide fluctuations in prices. The money supply in the Philippines includes all the paper money and coins in the hands of the public, excluding those in the vaults of the banks, as well as the demand deposits in banks subject to check or what is generally known as current account.

The Pre-1949 Monetary System of the Philippines: What the government is doing to maintain the peso sound can be best understood by giving a brief account of the former currency system or the system in operation before the establishment of the Central Bank in 1949. From 1903 to 1934, the Philippines was said to be on the gold exchange standard. The gold exchange standard is a variant of the gold standard which was adopted by countries that were not rich enough to afford the full gold standard requiring the redemption of currency in gold on demand. Many countries found it too expensive to lock up gold in their vaults in order to be able to pay it out when people wanted gold in exchange for their money. The countries that were on the gold exchange standard maintained their currency reserves in the form of bank balances in full gold standard countries against which drafts were drawn in case there was a demand to make payments abroad. The drafts abroad were just as good as gold since the currency in which they were denominated was redeemable in gold on demand. The Philippines kept the currency reserves chiefly in the form of deposits with the United States Treasury and with the Chase National Bank of the City of New York. The reserves amounted to 100 per cent of the treasury certificates in circulation.

The 100 per cent reserve monetary system operated in an automatic manner. It did not require the exercise of human judgment or discretion. The money supply increased or decreased in accordance with the position of the balance of payments of the country. The balance of payments means the statement of the foreign business and financial transactions of the country, the balance sheet of the nation with respect to its international account. If there is a surplus in the balance of payments, that is to say, the receipts (assets) exceed the payments (liabilities), the supply of money increased by the amount of the excess of receipts over payments. On the other hand, when there was a deficit in the balance of payments, that is to say, the payments exceeded the receipts, the money supply decreased by the amount of excess of payments over receipts.

The surpluses or deficits in the country's international accounts explained almost exclusively the increases or decreases in the supply of money before the establishment of the Central Bank in 1949. The banks could to a very minor degree temporarily expand deposit currency through the process of granting loans if they had excess reserves, but this power was dependent in the final analysis upon the status of the country's international account. The banks could not increase their reserves to any extent and, therefore, they could not expand their loans beyond what was permitted by their reserves. The increase in the money supply by reason of the surplus in the balance of payments took place even if there was no need by industry and trade for more money. The increase in the circulation brought about an increase in the domestic price level, and there was nothing much that could be done about it as there was no monetary authority to speak of in the country. The National Treasurer attended to the issue of impounding of treasury certificates and coins in accordance with the movements of the balance of payments, but he was nothing but a ministerial official when it came to the currency system; he was just a glorified bookkeeper and teller in spite of his official title. He did not have the power, much less the means or organization, to regulate the flow of money into the economic system. Only a Central Bank can do this delicate job.

When the United States abandoned the gold standard in 1934, the Philippines had also to give up the gold exchange standard. For there is no gold exchange standard to which it is linked. From 1934 to the present, the Philippines is said to be on the dollar exchange standard. The only difference between the gold exchange standard and the dollar exchange standard is that the peso is no longer redeemable in gold through the sale of dollar drafts against the currency reserves in the United States. The peso is only redeemable in dollars at present since dollars are no longer redeemable in gold. The dollar reserves can, however, be used to purchase gold from the United States Treasury and have it earmarked for the account of the Central Bank at the Federal Reserve Bank of New York.

The currency system before the establishment of the Central Bank did not permit the country to effect economic expansion beyond what was permitted by the increase in financial resources as warranted by the surplus in the balance of payments. Government borrowing even for developmental purposes was not possible locally on any large scale. It was one of the conditions for the maintenance of the 100 per cent reserve system that the budget must balance all the time. The banks could not expand loans in accordance with the nature of business since there are no means of acquiring more reserves and they could not go to any Central Bank for accommodation. While deficit financing and large-scale credit expansion were not possible under the old currency system, there was no assurance that monetary stability could be maintained because there was no authority to adopt measures to counteract the adverse effects of the ebb and flow of the money stream on business and industry.

The Present Currency System: After the establishment of the Central Bank the country continues to be on the dollar exchange standard. This is the international aspect of the currency system which links it with other currency systems if we are going to conduct efficiently and effectively our economic and financial relationship with the rest of the world. We have, however, abandoned the 100 per cent reserve system, and adopted a managed currency to enable us to meet adequately the needs of the economy for the means of payment. A managed currency is one in which the quantity or supply of money is regulated in accordance with the requirements of business, regardless of the position of the balance of payments if necessary.

The present currency system makes it possible for the banking system to expand credit to meet the needs of industry and trade. The Central Bank has the power to bring about the conditions that would enable and encourage the banks to liberalize the terms of borrowing by their customers who otherwise would not borrow at all or could not increase their loans. The Central Bank does not deal directly with businessmen in so far as the granting of credit is concerned, but a commercial bank which finds itself in a tight position and could not accommodate its customers can always go to the Central Bank to borrow in order to put itself in funds to lend to its customers. Now, while the Central Bank can create a favourable climate for businessmen to expand their operations by making the credit reservoirs of the country more easily accessible, its actions would not necessarily lead to the expansion of loans, as decisions as to when to borrow and how much still rest with businessmen.

The managed currency under Central Bank has liberated the country from the financial shackles imposed by an antiquated currency system which had unnecessarily hampered the economic growth of the nation. The expansion of the money supply necessitated by the establishment or expansion of various economic projects need not be dependent anymore on the position of the balance of payments under the 100 per cent reserve system. The level of the international reserve is an important guide to monetary and fiscal policy, but it need not be the sole criterion to be taken into consideration by the monetary authority.

In order to maintain monetary stability, the economy must have a volume of circulation that would sustain a high level of production and employment. The economy should have the correct amount of money, that is to say, a volume of circulation that would not promote undue speculation and a rate of spending that would exceed the supply of available goods and services at prevailing prices as to cause inflation, or bring about a fall in prices as to lead to business stagnation. An expanding economy like ours requires an increasing money supply if the value of the peso is to remain stable. This need for an increasing money supply is being met partly by the banks including the Rehabilitation Finance Corporation by extending credit to their customers engaged in various enterprises. Under the Five-Year Economic Program of the government, the money supply will also be expanded materially by the sale of bonds under Republic Act No. 1000 which authorizes the government to borrow for economic development up to one billion pesos.

How the Central Bank Maintains Monetary Stability: Before World War II, the value of the peso took a dive as inflation was brought about by surpluses in the balance of payments of the country and the economy suffered from low prices when there were deficits in the balance of payments. Periods of prosperity and recession require changing amounts of money, but there was no centralized authority to provide the mechanism to moderate the fluctuations in the supply of money under the 100 per cent reserve system. The country had to endure under alternating periods of inflation and deflation as it was unable to adopt compensatory measures to counteract the changes in the money supply.

The establishment of the Central Bank has provided the agency to regulate the money supply in accordance with the needs of the economy. Since the banks are the chief source of money for most business enterprises, it is the function of the Central Bank to control their lending operations by regulating the rate of interest or discount, by regulating the volume of bank reserves, by engaging in open market operations, and by what has been known as selective credit regulation.

The volume of loans is to a large extent determined by the rate of interest that businessmen have to pay their banks; an increase in the interest or discount rate would tend to reduce borrowing and a decrease in the rate would encourage borrowing and business expansion. If the banks run out of funds to lend to their customers, they can always get accommodation from the Central Bank. The Central Bank originally loaned the banks at 2 per cent and they, in turn, loaned their customers at 6 or 7 per cent. The Central Bank has reduced its interest or discount rate from 2 to 1½ per cent since February of this year, a notice to the banks that they should be more liberal in their standards of credit worthiness of their customers. During periods of increasing demands for goods and rising prices, the Central Bank would increase the rate and thus discourage the granting of credit by the banks even to their credit worthy borrowers.

The lending capacity of banks depend upon the reserves that the law requires to be maintained ordinarily in the form of a deposit with the Central Bank. An increase in the reserve requirements would reduce the capacity of the banks to expand credit, a measure that is resorted to during a period when the supply and use of money outrun the increase in the supply of goods and services and thus resulting in rising prices. During periods of recession the reserve requirements can be reduced in order to encourage bank lending. In order to ease the reserve position of the banks, the Central Bank permitted the banks to maintain reserves in government securities instead of in cash 5 per cent of their demand deposits and the entire reserve requirement of 5 per cent for time and savings deposits.

Another method by which the Central Bank can regulate the flow of money and credit is what is known as open market operations. The Central Bank need not have to wait for the banks to come to it to borrow, but it can of its own accord buy or sell government bonds in the open market. If the Central Bank wishes to ease credit conditions it buys government bonds from the banks or from private bondholders. The purchase of government bonds from the banks will add to their reserve accounts with the Central Bank and thus increase their capacity to expand credit. On the other hand, if the Central Bank believes that there is credit and currency redundancy, it sells government bonds from its own portfolio to the banks thus reducing their capacity to extend loans to their customers. As of August 31, 1954, the Central Bank held P226 million worth of government securities.

One of the most potent means of controlling credit at the disposal of the Central Bank is selective credit regulation. The Central Bank Act empowers the flow of credit into particular fields of business enterprise. The Monetary Board can regulate the permissible maturities of the loans and investments of banks and the kind and amount of security against various types of loans. The Monetary Board has also the power to place an upper limit on the amount of loans and investments of banks. Before the Central Bank imposed exchange controls on December 9, 1949, the Monetary Board issued a circular prescribing a minimum cash margin of 80 per cent for the opening of letters of credit for the importation of non-essential goods. This circular has been abrogated when the Central Bank took over the work of regulating imports through the control of foreign exchange for the payment of imports.

Exchange and Import Controls: In order to protect the dollar reserves upon which the external value of the peso depends the Monetary Board imposed exchange control on December 9, 1949. The spending spree that followed the liberation of the country continued unabated and widened the import gap which brought about the rapid depletion of the international reserve. The capacity of the country to maintain the external value of the peso depends upon the readiness of the Central Bank to convert pesos into dollars. As the demand for dollars was chiefly for the importation of non-essential consumer goods, the Central Bank would be unable to discharge its re-rising level of production, employment and real income, unless it could maintain the monetary reserves at a level capable of meeting any foreseeable net demand for foreign currencies.

Since the work of regulating imports, if indirectly through the control of foreign exchange for the payment of imports, was thrust upon the Central Bank with the expiration of the Import Control Law, the Monetary Board has endeavored to bring about a change in the pattern of imports so as to reduce the coming of non-essential consumer goods and increase the importation of capital goods and raw materials needed by new and necessary industries. The value of the peso can be made relatively stable not only by regulating the supply of money but also by influencing the demand for money, that is to say, the supply of goods that compete for available purchasing power in the hands of the public. Through the judicious allocation of the limited dollar assets of the Central Bank, the supply of consumer goods produced locally could be increased at competitive prices through the encouragement of local industries that produce these goods allocating to them sufficient foreign exchange to import machinery and raw materials. In order to arrest any rapid increase in the prices of consumer goods in short supply, the Monetary Board has always been ready to grant more liberal dollar allocations to import these goods. Existing industries can import their raw material requirements by simply applying at their banks.

The International Monetary Fund Agreement envisaged that exchange controls are merely temporary expedients to help countries especially those ravaged by the war to adopt suitable measures to attain economic stability. While some countries have relaxed their stringent exchange control or abandoned it entirely as in the case of Canada, the Philippines is still not in a position to give up exchange control without prejudicing its efforts to maintain monetary stability.

One of the sources of an increasing money supply during the postwar period is the rapidly expanding public debt. Before the Commonwealth period, the government has borrowed to finance permanent public improvements or to replenish the currency reserves by floating bonds in the United States. All of the so-called dollar bonds enjoyed the indirect guarantee of the United States Government and all the issues had been paid. During the Commonwealth period, government borrowing was insignificant and the public debt increased but slightly. After World War II, the government had an empty treasury, and it was forced to borrow not only to meet current expenditures but also for rehabilitation and development. The total public debt in 1941 amounted to P141 million consisting entirely of long-term indebtedness contracted by the issue of bonds. In 1947, the debt increased to more than P253 million, and in the following year the public debt more than doubled and amounted to P606 million. The large increase was due chiefly to the backpay obligations to prewar government employees which were originally estimated at P300 million. By the middle of 1953, the public debt jumped to over one billion pesos because of the backpay obligations to veterans of World War II which have been estimated at P250 million. As of June 30, 1954, the total public debt stood at P1,146 million. Of this amount, P1,047 million was long-term, P64 million immediate term, and P35 million short-term.

One of the features of the public debt is that the greater portion amounting to P954 million has been contracted locally or in pesos and only P192 million is foreign or almost entirely in dollars. The foreign debt consists of the budgetary loan from the U.S. Reconstruction Finance Corporation originally amounting to P120 million, but has since then been reduced to P90 million; the loan from the American Government originally made available to meet war claims amounting to P71 million, but has been reduced to P39 million; the loan from the International Monetary Fund amounting to P22 million; the loan of the National Power Corporation from the Export-Import Bank amounting to P40 million; and the loan from the U.S. War Assets Administration amounting to P1.5 million. The advantage of a domestic debt as compared to a foreign debt is that the domestic involves no net real sacrifice to the country as the payment of interest as well as the principal of the debt merely involves a change of ownership of assets from one group of citizens to another while in the case of a foreign debt the payment of the interest and the principal when it matures would involve a diminution of the wealth or assets of the country.

Another aspect of the public debt at present that might be pointed out is that a far greater proportion is devoted to meeting budgetary expenses than to financing developmental projects. More than 60 per cent of the total debt has been utilized to meet backpay obligations to prewar government employees and veterans of World War II and other current obligations which should have been met from the ordinary sources of public revenues, and only 40 per cent is for economic development consisting chiefly of the proceeds of the sale of the Rehabilitation and Development bonds amounting to P200 million, the loan of the National Power Corporation from the Export-Import Bank, and the sale of various public improvement bonds for the account of the National Government as well as provincial and city governments. While before World War II the government went into debt chiefly if not exclusively for developmental projects, since 1947, an increasing proportion of the public debt was contracted to meet the requirements of the budget.

Under Republic Act No. 1000, government bonds will be issued exclusively to raise funds for public works and for economic development. Future long-term debts will be contracted by the government in order to increase the productive capacity of the country and thus provide employment to idle labour and increase the national income. The government will continue to resort to deficit financing but it will be of the type that will not necessarily bring about serious inflationary pressures, unlike the deficit financing required by large budgetary deficits. The scale of public borrowing contemplated under the law would not necessarily result in the rapid increase in prices if the flotation of bonds and the investment of the proceeds could be regulated and judiciously spaced so as to enable the economy to employ productively idle labour and existing natural resources. The banking system through which the greater amount of the bonds will have to pass is not in a position to absorb too much at a time unless the Central Bank is prepared to accumulate most of the issues in its portfolio.

The Limit of the Public Debt and Public Investment: A country not accustomed to float bonds extensively in the past because the monetary and banking system did not permit any large-scale borrowing must be prepared to shed its antiquated ideas of what constitute sound finance. Some businessmen are apprehensive of the present size of the public debt forgetting the fact that public economy, like private business enterprise, is founded on debt. The government must expand the public debt if it is going to take the lead in the development of the national resources, both natural and human.

The question naturally arises: How much should be the public debt? There is no hard and fixed criterion to determine how much a nation should borrow, but the national income is an adequate guide as to the amount of the public debt that might be incurred. With the level of the national income of P7.5 billion for the current year, the country can support a larger debt structure than the present debt of P1.1 billion. If we conservatively estimate a capital formation of around 10 per cent of the national income, we may hazard the opinion that the country can raise in loans both through the sale of government securities and through the creation of credit by the banks, including funds privately invested by their owners, of around P750 million annually, this amount to increase every year in proportion to the expansion of the national income.

It is logical to inquire as to whether the country would be willing to save the above portion of the national income. It would not be hard to find the answer to the query after the program has progressed to some extent. If the nation is in fact willing to save, this will be reflected in rising prices. In such a case, the development program has to be revised to fit the capacity of the country to employ resources most profitably. We cannot continue to expand credit in the form of what monetary experts call "forced saving", that is to say, borrowing more than the savings of the community, without adversely affecting the development program. With the present large number of idle labour and vast unexploited natural resources, however, a larger public debt is justified in order to raise adequate investment funds to increase the national dividend.

Effects of Government Spending Upon Business: The fact that has often been overlooked is that the government is the biggest single employer in any country. The public payroll is the biggest single source of the cash balances of the nations and the increase or regularity of replenishment of these cash balances profoundly affects the level of business activity. The contemplated expenditures under the Five-Year Economic Development Program of the government would increase the flow of income and expand business activity in general. Expenditures on public works are generally recognized as the best measure of arresting business recession. In order to be most effective in combating unemployment, the construction of public works projects should be undertaken more extensively in all sections of the country.

One important consideration cannot, however, be overemphasized in effecting the development program. The financing of it through government borrowing should not be undertaken at a rate that would outrun the effective employment of idle labour and natural resources if the country is going to avoid inflation. An inflation would cancel out any benefits to the recipients of the larger money incomes generated by an accelerated public investment, especially to those least able to protect themselves from the effects of rising prices—the labouring class.

HOME OWNERSHIP IN MALAYA

Malaya's house building boom rattles along like an express train. Every month statistics of houses completed jumps higher and higher for the pace is being set by the Federal Housing Trust, a government organisation established with a loan of $10 million. The Housing Trust now has the machinery for building a minimum of 2,000 houses a year, houses which are for sale. Until a saturation point is reached—and there is no sign of it being anywhere in sight yet—when prospective buyers begin to slack off, the Housing Trust will continue to build houses for sale instead of to let.

From Kedah, the northern most State in Malaya bordering on the Siamese frontier, to Johore in the extreme south of the peninsula, new housing estates are springing up continually. Private builders are playing a big part, but their role is chiefly one of providing more expensive houses for those Malayans who prefer to design their own. The average middle-class family turns to the Housing Trust, for under its slogan, "Homes for the People", they are building economic-to-run dream houses at a price which will not cripple a man's pocket. For as low as $4,700 (Malayan) and rising to $17,000 a Housing Trust designed home is now on the market and it is surprising the number of people who are selecting houses around the $12,000 mark.

Malayans object to flats, they are adamant in their desire for a garden. When the Housing Trust was formed in 1950 it conducted a survey as to what type of dwellings the Malayan people wanted. As a result, flats were out. In a dozen towns in Malaya, the Housing Trust started its campaign by building just a handful of exhibition houses ranging from the cheapest to the dearest and then said, "This is what we can offer, how would you like one?" The response, although slow at first, soon caught on and today there are several thousand applicants on the waiting list. From these exhibition houses sprung several points of constructive criticism resulting in various modifications to the design, and that is exactly what the board of the Housing Trust sought, and still seeks, to encourage.

Repayment for a Housing Trust house is normally over 15 years. The Trust asks for one-third of the price of the house to be deposited in cash and arrangements are then made for a prospective buyer (if he so wishes) to borrow the remainder from the Federal and Colonial Building Society, a comparatively new body established with a grant from the Colonial Development and Welfare Corporation. This Society now holds mortgages amounting to $24 million, and has still money in the "kitty" waiting to be borrowed.

Incidentally, anyone can approach the Society for a loan regardless of whether or not that person is buying a Housing Trust house or building one privately. Government servants can borrow from the Society 90 per cent of the cost of the house they want.

For the last 15 years Malaya has been hungry for houses. First came four years of Japanese occupation with no building at all; then the aftermath of war when building materials were in short supply; followed by the Emergency, which began in 1948, and its subsequent mammoth resettlement programme. It was not until 18 months to two years ago that any real building on an extensive scale could get under way. There is much leeway to be made up and it will take the best part of the next ten years before any sizable progress can be reported. But at least Malaya is now going in the right direction with the emphasis not on hundreds of houses but on thousands, and, just as important, houses which are within the means of the lower and middle classes.

Today it is not an uncommon sight to see construction work going on throughout the night under giant arc-lights. This often happens in the larger towns.

In the last year or two as more houses became available, the once serious racket of "tea money" (or "key money") in order to get a house has been knocked on the head. Five years ago in Malaya it was almost impossible to obtain a house without an excessive payment as a gift to the person who had a house either to sell or rent.

One of the biggest and most difficult housing problems in the country exists today in the Federal capital of Kuala Lumpur, whose population, it is estimated, has increased 100 per cent in the last 15 years. Today there are about 400,000 people in the capital—100,000 more than there were at the beginning of the Emergency in 1948. Sites for new houses have been a drawback but with the introduction of satellite towns near to Kuala Lumpur this problem is now eased. It is one of these new towns at Petaling Jaya, six miles from the capital and designed to eventually accommodate 80,000 people, that the Housing Trust has been particularly active. Nearly 1,000 houses have been, or are in the course of being, built by the Housing Trust in the new town.

Environment naturally plays a big part in the health of the people and it has been noticed that in Malaya's new satellite towns, the health of those who have moved in has improved considerably. This question was stressed recently by the High Commissioner, Sir Donald MacGillivray, speaking in the Federal Legislative Council. "Slum clearance is a social necessity of vital importance not only to the improvement of the general standard of living but also the health of the nation," he said. "It is of little avail to spend large sums of money on the treatment of tubercular patients if at the same time we permit the continuation of housing conditions which foster the disease," added Sir Donald.

Every endeavour is now being made to encourage home ownership in Malaya and although it will take a long time there is confidence among all Malayan leaders that eventually it will be achieved to a degree only equalled by Western countries. Towards this end the Federal Housing Trust is yearly thrusting ahead and en-route it is winning laurels from Mr. and Mrs. Malaya for having provided them with a sturdy, permanent home which will always be their own.

UNIVERSITIES IN INDONESIA AND THAILAND

Universities in Indonesia

At present there are three Universities in Indonesia—the University of Indonesia, a University in Djogjarkarta, and the University in Surabaya. The government is planning to establish two state universities, one at Makassar and the other in Sumatra, bringing the total number of universities in Indonesia to five. In addition to these universities, there are numerous colleges, academies and what are known as "private universities" scattered all over Sumatra and Java.

Indonesian University students are living and working under conditions that are far from satisfactory. Hostel accommodation for the 15,000 students is totally inadequate. Textbooks are not readily available and those that are fetch exorbitant prices. The vast majority of the students work during their spare time; some find it necessary to miss lectures in order to earn a little money. They are conscious of the privileges and responsibilities they enjoy and this they acknowledge by taking jobs as teachers in secondary schools and so helping to ease the shortage of teachers.

Since the birth of the new republic, there has been an insatiable demand for education at all levels, and mainly owing to economic reasons the government has been unable to meet these demands satisfactorily.

The problem of recruiting suitable university lecturers and professors in sufficient numbers to cope with the rapidly increasing undergraduate population is an extremely difficult one. The employment of local graduates as lecturers on a large scale is virtually impossible at the present time. The employment of foreigners raises the problem of languages. The majority of Indonesian students do not speak or write fluent English but they are proficient in Dutch. The obvious solution would be to recruit Dutch lecturers and professors, but the Dutch have no great desire to work in a country and under a people they once ruled. This is indeed a great pity, because, apart from the advantages of a common language, the Dutch understands Indonesian customs and traditions and are therefore equipped to meet their needs adequately.

The Gadjah Mada University in Djogjarkarta has a student press which in the last two years has developed and flourished to such an extent that it is now established as a Publishing Foundation with most ambitious plans for its future. At the present time this enterprising foundation is making efforts to alleviate the distressing shortage of text books by turning out lecture notes. Even University and secondary textbooks are reproduced and student magazines and newspapers are published in this fashion.

Student organisations in Indonesia enjoy the support and confidence of the people and of the Government who remember their intense patriotism and spirit of sacrifice during the bitter fight for independence. Two national student organisations have since emerged—the P.P.M.I. which is the National Union of University students and the I.P.P.I. which is a national federation predominantly of high school students (95%) with a minority of university students (5%). The main activities of the P.P.M.I. include that of obtaining better educational facilities and living conditions for university students campaigning for a more extensive education programme, assisting the government in projects of construction, expressing student opinion on matters of national interest, and improving international relations with students all over the world.

During the struggle for independence, Indonesian students were actively engaged in fighting and many lost their lives before it was over. These students are conscious that the real struggle for independence has, in fact, just begun. Indonesia today faces the crucial problem of building a nation with a strong democratic government, founded on political unity and economic stability.

Kasetsart University, Thailand

The Kasetsart University is situated at Bangkane, some twenty kilometers from Bangkok. It was established in 1943, through the initiative of the Thai Prime Minister, Field Marshal P. Phibun Songkram. Before that there were schools for the dissemination of agricultural knowledge. The nucleus of Kasetsart University was formed from the College of Agriculture, and the College of Forestry. Later the College of Co-operative Sciences and the College of Fisheries were added. In 1952, the School of Irrigation Engineering was annexed to the University.

The aim and purpose of the K.U. is to give foundation, understanding and background in the various fields of instruction that the students may have a choice, so that later in life they will attain economic independence, develop intellect and personality as to lead a scientific outlook on life which befits a good citizen. The U. confers four degrees and five titles: (i) The Bachelor of Science in Agriculture (B.S.A.); (ii) The Bachelor of Science in Forestry (B.S.F.); (iii) The Bachelor of Science in Co-operative Sciences (B.S.Cs.); (iv) The Bachelor of Science in Fisheries (B.S.Fi.).

Upon completion of the three-year course in any College or school the students will earn a title of either as Associate in Agriculture (A.A.), Associate in Forestry (A.F.), Associate in Co-operative Sciences (A.Cs.), Associate in Irrigation Engineering (A.I.) depending on which College or School he has been attending. Degrees with honours are also conferred.

Tuition is free and miscellaneous charges are moderate. The U. is run on American lines. Students failing to make the grade in certain subjects are required to resit in those subjects only.

In the big farms, the imported breeds are raised by the thousands, and there are no signs of degeneracy among the later progeny raised up in Thailand. This is due to the excellent management and the farmers' scientific understanding of the poultry. Artificial insemination is being practised by the poultry section of K. U. with much success. K. U. takes pride in its modern aquarium. Here the visitor sees for himself the various species of fresh water fish. Much attention is being paid to tilapia with a view to introducing it to the rice fields. One pond not bigger than fifty feet square holds literally thousands of them.

The principal university of Thailand is in Bangkok, known as 'Chula' (Chulalongkorn University) which is situated in beautiful surroundings and housed in architecturally splendid buildings. The student material in Bangkok is steadily improving. Another university in Bangkok which was formerly connected with Nai Pridi, the pro-communist leader of a movement now located in China, has suffered somewhat in prestige and would require reorganisation to take its proper place once again in the intellectual life of the Thai nation. The Thai students, by and large, are the cream of the nation and are conscious of their role in the political future of their country.

JAPAN'S TECHNICAL COOPERATION

In view of the fact that the demand for technical cooperation and construction works from various countries in South East Asia and the Near East has gradually become active with the progress in negotiations on reparations payment and the materialization of joint enterprises, two independent organizations which are to meet such demands were recently established, one after another. The one established by influential businessmen such as Mr. Kurushima, president of the Dowa Mining Co., Mr. Yuwada, director of the Asia Kyokai, and others, is called the Kaigai Gijiitsu Kyoryoku Kaisha (Overseas Technical Consultants, Ltd.) and aims at the supply of invisible resources in the form of technical assistance. The main office is located at 7th floor, Tekko Building, Marunouchi, Chiyoda-ku, Tokyo. Its authorized capital is Y70,000,000 and paid-up is Y17,500,000. For the purpose of rendering efficient services, this organization will engage in the following businesses:— a. drawing of plans, b. investigation of various techniques and research. c. planning, surveying and execution of projects, d. introduction and recommendation of industrialists wishing to advance overseas, e. introduction and recommendation of technicians and contractors. f. introduction and recommendation for the purchase of machinery, supplies and various reference materials, g. to act as consultants in Japan for people coming from overseas.

The other organization is headed by Mr. Juichi Tushima and consists of 140 members of Building and Engineering companies. It is called **Kaigai Kensetsu Kyoryoku Kyokai** (Overseas Construction Association of Japan), whose object is limited to the fields of building and engineering. The principal businesses in which the organization will be engaged are:— a) investigation and research of the various conditions of the building and engineering industries abroad, and the collection and distribution of data thereof; b) introduction and recommendation of building and engineering works, planning, and execution; c) introduction and recommendation of the techniques for the above; d) correspondence with government and public offices, purchasing authorities, interested organizations, and trade firms etc.

In spite of its being only a short time since the organization was established, it is receiving many inquiries for the erection of banks, hospitals, bridges, and dams, from countries of South East Asia and the Middle East. In view of such a rush of inquiry, this organization, having been deliberating the establishment of overseas offices and stationing of resident staffs in Burma, the Philippines, Pakistan, Indonesia and India, for the purpose of investigating the conditions there and gathering local data, has decided to set up, as a first step, an overseas office in Rangoon where a lot of business can be expected with the coming into force of the reparations payment pact and the economic co-operation agreement concluded with Japan. It expects to complete the establishment by September and a 4 million yen subsidy is to be made available by Government for this establishment.

— **N. Murata**

THE MANUFACTURE OF IRON AND STEEL IN THE FAR EAST

By V. M. Subramanian

The combined iron and steel production of the countries of the Far East is very small, amounting to less than 5 per cent of the world total. Present Asian consumption, though larger than production, is also very low. However, steel consumption potentialities of the Asian countries are very considerable. The per capita consumption of steel is about 545 kilogrammes in the United States, 300 kilogrammes in the United Kingdom, and about 130 kilogrammes in Western Europe, while in Asia and the Far East it is less than 5 kilogrammes. The region abounds in resources of essential raw materials. Some of these are favourably located (e.g. India and China), while others are available in substantial quantities but require further preparation and treatment before they can be utilized. In a number of the under-developed countries the known iron ore deposits are richer than those of some of the industrial countries of Europe.

It will be observed that the distinguishing feature of the industrialized countries is not the extent of their iron ores, but the degree to which they are able to utilize the iron ores which are available to them. The ratio of pig iron production in most of the industrialized countries to the world production exceeds the corresponding ratio of iron ore reserves, whereas the reverse is true in under-developed countries of the ECAFE region. The United Kingdom has about 2.5 per cent of the probable iron ore reserves (iron content) of the world, whereas it produces about 8.3 per cent of the world production of pig iron. The United States has about 6.4 per cent of the world probable ore reserves, whereas it produces about 49.6 per cent of the world production of pig iron. India has about 21.0 per cent of the probable world iron ore reserves but its production of pig iron is only about 1.3 per cent of the world production. The corresponding figures for iron ore for the Philippines and Indonesia are 1.8 and 0.2 respectively, whereas the production of pig iron is nil.

It will also be interesting to note that France has to import over half its metallurgical fuel and that Germany has always been dependent upon imported ore. Before the war when Germany was producing 20 million tons of steel, more than two-thirds of its ore was imported. Belgium relies almost entirely on imports for its ore supplies. Luxembourg produces neither coking coal nor coke. Italy is entirely dependent on imported coal. Sweden also depends upon imported coal. Large imports of iron ore are a feature of the United Kingdom's raw material supplies. It will thus be seen that, while some countries have more than enough coal and others have more than sufficient iron ore, there is no country which is independent in respect of both of these key materials.

The most heavily populated under-developed countries, China and India, which account for almost two-fifths of the world population, are endowed with enough iron ore for large-scale modern iron and steel industries. Most of the other countries of the region have adequate iron ores to support a modern steel industry. A number of these have more iron ore than they are likely to use domestically within the foreseeable future, and are thus in a position to export iron ores without impairing their own steel-making potentialities.

In Asia, three-quarters of the known coal reserves (outside the USSR) are in China and the bulk of the remainder is in India. If these reserves of iron ore and coking coal could be fully utilized both these countries may plan for an iron and steel production five times the existing capacity thus paving the way for an all-round industrial development. Both the Philippines and the Republic of Indonesia have deposits of iron ore with 45 to 50 per cent of iron content, totalling about a thousand million tons in each country. Both of these countries possess coal deposits but probably only relatively small quantities of coking coal. The Philippines also has petroleum coke and Indonesia, oil. Indo-china has large high quantity coal deposits and anthracite and reserves of possibly 100 million tons of good grade iron ores. South Korea has large reserves of ores with 40 per cent iron content and smaller reserves with 55 per cent iron content. It has huge reserves of anthracite. Burma has deposits of iron ore and coal. Further surveys are likely to indicate larger and better reserves. Thailand has reserves of several million tons of good iron ore. Pakistan has reserves of iron ore and coal but coking coals have not yet been found. Reserves of natural gas have been recently discovered. Oil also is available.

It is apparent, therefore, that the iron and steel making capacity of Asia and the Far East might very much be expanded and might be extended to countries otherwise lacking the prerequisite complement of raw materials, by the development of trade in iron and coal within the region even assuming that only the well established coke blast furnace method of iron making will be adopted.

The total transportation requirements for steel produced on such a basis and delivered to markets in Asia and the Far East would be less than those involved in steel delivered from the United States or Europe. The cost of transporting finished steel produced in industrialized countries to markets in the ECAFE region is a very substantial part of the total cost of the delivered steel.

The foregoing facts are, of course, based on the assumption that pig iron would be manufactured by the coke-blast-furnace method.

Recent technical developments have opened up a number of important possibilities for iron and steel production in the under-developed areas of the ECAFE region substituting for high grade coking coal, other fuels and energy sources which may be available to them, such as inferior coking coals, non-coking coals, hydro-electric power, petroleum, charcoal and natural gas. Other technological developments also permit the creation of iron and steel works in locations where large-scale markets do not at present exist, where adequate transportation facilities are absent or where iron ore deposits, fuel and energy sources are available but not on a scale sufficient to support large-scale operations. With an alternative smelting process, capital requirements may be substantially reduced because a smaller plant is feasible.

Many processess which do not require coking coals have now been developed among which may be mentioned the Krupp-Renn process, the Sturzelberg process, the Basset process, the Wiberg process, the Hoganas process, the Tysland-Hole furnace, and the low-shaft furnace, operated with or without oxygen, using briquetted carbon and ore fines. In addition to economical considerations, investigations will have to be made in every case on the chemical as well as the physical characteristics of the ore and tests on pilot plants done before a definite choice of method or combination of methods can be made.

The low-shaft furnace at Liege has a great future as recent experiments have revealed the possibility of its use with or without oxygen and with a wide variety of raw materials and fuels, even including lignites. The main advantages are a smaller capital and production cost and the possibility of using a more plentiful and less costly fuel and of the smelting of ore-fines and the production of a rich gas. Many countries in the ECAFE region including Burma, the Philippines, Indonesia, Pakistan and Thailand may find this method eminently suitable.

The Sturzelberge process was developed in Germany to process the purple ore, obtained during the process of producing sulfuric acid from pyrites. The purple ore is a ferric oxide with about 42 per cent iron and a high quantity of zinc and sulphur. The process yields iron of a very high quality and valuable metal oxides as by-products. Any type of coal can be used, even lignite. The process is not affected by the sulphur content of ore and coal.

The Basset process operating in Denmark produces pig iron in a rotary kiln with a highly basic slag with a basicity of about 3.0. This slag remains solid during the process and forms nodules which can be used for cement production. High sulphur raw materials including pyrite cinders and ore fines can be used. The silica content of the ore must be low and the ore must be fairly rich.

The high sulphur coals and the fairly rich ores with low silica content of Pakistan, Thailand and the Philippines could possibly be worked in the basic rotary kiln of the Sturzelberg type or the Basset type. Though the Sturzelberg process produces pig iron of an excellent quality, it should be borne in mind that the cost of production is rather high.

The high sulphur South Arcot lignites and the Salem ores of South India can be utilized for production of pig iron in a basic rotary kiln.

In the Philippines, the high phosphorous high grade iron ores in Camarines Norte and the bituminous non-coking coals of nearby Linguan Coal mines in Bataan Island offer a suitable combination for the Sturzelberg process. The high phosphorous pig iron may be blown directly into steel in the basic Bessemer.

The Wiberg process uses carbon monoxide and a little hydrogen for the gaseous reduction of iron ore. Low grade fuels may be used without the sulphur and phosphorous in the fuel getting into the sponge iron. The ores must have a sufficient mechanical strength and should be fairly rich with an iron content above 60 per cent.

The Hoganas sponge-iron process uses a very rich concentrate which is packed in layers with coal in ceramic containers. These are fired in a furnace in a manner similar to that used for firing refractory bricks. The iron is exceedingly pure and can be used for the production of high quality steel.

The Wiberg process and Hoganas process may find application in countries with fairly rich iron ores but no coking coal and with small markets for iron. It is claimed that the Wiberg process can be used even without electrical energy.

The German Humboldt low-shaft furnace process is based on the direct smelting of fine ore, fluxes and non-coking coal in the form of briquettes for the production of pig iron. Any type of fuel can be used. The capital cost and operation cost are lower than those for a corresponding blast furnace.

The ore-coal briquette method may find application in certain locations of Burma, the Philippines, and Indonesia. The low-shaft furnace will form an ideal combination with the open hearth furnace as the rich gas from the former can be utilized in the latter.

The high phosphorous laterites of Jubbulpore, India, with a high content of fines, when reduced with the coal from South Rewa by the ore-coal briquettes smelting method, would yield a pig iron suitable for conversion in the basic Bessemer.

As there is a great shortage of good foundry iron in India, the ore-coal briquettes process could be very profitably adopted for utilizing the huge surplus of cheap ore fines and non-coking coals and cheap slack. Non-coking coals in India are generally lower in phosphorous whereas the Indian coking coals are characterized by high phosphorous content, which excludes their application for the making of standard grade ferro-manganese with phosphorous below 0.35 and hematite pig iron.

The high grade low phosphorous and low sulphur iron ores of the Tavoy district in Burma and the medium to high volatile theindaw coals of the nearby Mergui district may offer a suitable combination for the Humboldt process or the Liege low-shaft process.

The high phosphorous hematites of Camarines Norte, in the Philippines when reduced with the coal from nearby Liguan mines in Bataan Island in the Humboldt low shaft furnace or the Liege international furnace will yield a pig iron suitable for conversion into steel in the basic Bessemer.

The Bukit Ranggal iron ores of South Sumatra in Indonesia and the coals of South Sumatra, offer a combination for the Humboldt process or the Hoganas or the Wiberg process.

Malaya has very large reserves of high grade iron ores in Pahang, Trengganu, Perak, Jahore and Kelantan. These can be smelted in the Humboldt low-shaft furnace or the Liege type furnace with the Batu Arang coals. The Hoganas and Wiberg processes also may be found suitable.

The Krupp-Renn process can utilize highly siliceous ores as well as ores with a high titanium content. Low-grade iron ores in powdery form and a low content of sulphur and phosphorous in the ore and fuel are desirable for the acid Renn process. Any type of solid fuel can be used even those of inferior quality and with a high ash content. High sulphur raw materials necessitate further treatment. This process may be employed for the utilization of some of the low-grade ores found in Thailand, Pakistan, Burma and Indonesia, where the quality of coal available is also poor.

The Salem magnetites and South Arcot lignites of South India offer a favourable combination. The magnetites require preliminary treatment. The fuel with a rather high sulphur content yields on low temperature carbonisation a coke with more than 1.0 per cent sulphur. The luppes obtained with this fuel would require several slag flushings and renewals in the electric steel furnace or desulphurization in a special premelting furnace followed by finishing in the open hearth furnace. This would also permit finishing in a basic converter if the iron is high enough in phosphorous. The low iron and high phosphorous laterites and the clay iron stones of Bengal-Bihar could be converted into high phosphorous luppes by using coal from Raniganj.

The medium grade, low sulphur iron ores of Ceylon may possibly be reduced in an acid Renn furnace with coconut shell charcoal or the coke available from the gas works.

The South Coast of Central Java, Indonesia, has large reserves of iron ores of high titanium content. Luppes free from titanium can be produced from these ores in an acid Krupp Renn furnace with the anthracites available in South Sumatra or with the Ombilin coals of West Sumatra. The Kukusan (Sebuku) deposits of Borneo and the South and East Borneo coals from a good combination for the acid Renn process.

The medium Kalabagh ores of Pakistan and the high ash, high sulphur coals of Baluchistan or West Punjab may be utilized for the production of luppes by the acid Krupp Renn process. For use in the Renn process, the high sulphur lignitic coals of Baluchistan may be converted first into low-temperature coke. The high sulphur content of the product will certainly necessitate additional desulphurization processing unless of course a fuel low in sulphur is used for making iron. The Renn kiln for making iron and the electric arc furnace for steel making offer an excellent combination.

The medium grade iron ores of Kachanaburi in Thailand can be treated in the Renn kiln utilizing the local lignites as fuel.

Thailand, the Philippines, Indonesia and Burma with their large forest reserves may establish small charcoal blast furnaces of 50 to 100 tons capacity in suitable locations. Absence of coking coals and facility for rapid reforestation are important considerations.

The electric low-shaft furnace of the Tysland-Hole or Electro-metal type will be found suitable only in places where relatively cheap electric power is available. The Philippines, Indonesia and Burma may consider this possibility with their hydro-electric schemes.

Korea and Indochina with their large resources of anthracite and good iron ores may use small anthracite-fired blast furnaces for the production of iron. A low-shaft furnace also may be quite suitable.

The German hot-blast cupola may be found applicable for the production of pig iron from scrap in a country like Indonesia which has plenty of scrap but no coking coal.

It will be noted that although some ECAFE countries have already taken into consideration some of the above techniques of iron production, there is a wider scope for the inclusion of the more recently developed methods, and for the development of intra-regional trade in raw materials in their future plans of development. Absence of coking coals is no longer an obstacle to the development of an iron and steel industry.

An outline of the present and future plans of production of some of the countries of the ECAFE region is given in the following paragraphs.

The estimated current or future annual demands for iron and steel in some of the countries of the region are as follow:

	Tons	
Burma	100,000	
Ceylon	100,000	
Hongkong	102,800	
India	946,000	
	3,000,000	(future demand)
Indonesia	265,000	
South Korea	30,000	
Malaya	150,000	
Pakistan	465,000	
	530,000	(future demand)
Philippines	271,000	
Thailand	100,000	
Cambodia Laos Viet-Nam	135,000	

BURMA: About 20,000 tons of steel products per annum will be made in the first stage by remelting scrap in electric furnace and partly by re-rolling scrap. In the second stage pig iron would be made without coking coal.

INDIA: The present annual capacity is 2 million tons of pig iron and 1.5 million tons of steel ingots. The existing producers plan to increase output by 500,000 tons of finished steel. The new steel plant for flat products, i.e. plates and sheets, to be built by Krupp Demag will have a capacity of 500,000 tons ingots capable of expansion to one million tons. Recently a contract for another one million tons capacity plant has been signed with Russia. There is also a proposal for a plant of 500,000 tons to be put by private interests in collaboration with a foreign government.

INDOCHINA: The previous plans were for the production of 100,000 tons of anthracite pig iron and 60,000 tons of rolled steel and 10,000 tons of tool steel. About 10,000 tons of ferro-alloys had also been planned.

INDONESIA: Re-rolling of scrap will be done in the first phase and about 40,000 tons of steel will be made from scrap and rolled into shapes in the second phase. The manufacture of iron without coking coal has been planned for the third phase.

JAPAN: Iron ore imports of 4,930,000 tons had been planned for the year ending 31 March 1955. 5 million tons of rolled steel and 4.5 million tons of pig iron also had been planned.

SOUTH KOREA: Production had been planned on the 8 small 20-ton blast furnaces, the 50-ton open hearth furnaces, the 10 electric furnaces, and the 6 small rolling mills.

PAKISTAN: The existing re-rolling mills capacity is 80,000 tons. Fried Krupp are consultants for detailed prospecting and for setting up a Renn kiln of 50 tons capacity with two 10-ton electric arc furnaces in the first stage. The aim is to produce 350,000 tons of steel ultimately.

PHILIPPINES: Existing re-rolling mills produce 20,000 tons annually. The electric arc furnace steel plant of first stage will produce about 1,900 tons per month, the second stage will produce 2,000 tons of electric pig iron, 2,760 tons of sheet bars and billets and 1,000 tons of sheets per month. The third stage will produce 120,000 tons of electric pig iron, 140,000 tons of electric furnace steel ingots, 10,000 tons of plates, 70,000 tons of billets and other products and 30,000 tons of sheets annually.

THAILAND: The present production is only 350 tons of bars per month. Plans under consideration include production of 35,000 tons of pig iron, 40,000 tons of open hearth steel and 30,000 tons of plates, sheets and bars and structurals.

CHINA (mainland): The pig iron production in 1954 was 3 million tons and steel 2.2 million tons. There are plans for increasing production further.

CHINA (Taiwan): Upon completion of the expansions planned and under execution, the following annual production will be achieved. Pig Iron 350,000 tons, Steel 70,000 tons, Rolled Products 60,000 tons.

ECONOMIC REVIEW OF JAPAN

FOREIGN TRADE AND PAYMENTS

Improved holdings of foreign exchange

The final figures for the 1954-55 current balance of payments, released by the Ministry of Finance in mid-April, show that there was a surplus of $344 million compared with a deficit of $313 million in 1953-54. Last year exports were $358 million higher than in 1953-54 and imports $475 million lower; but receipts from invisibles dropped by $152 million because of a fall in U.S. special procurements, and expenditure on invisibles rose by $23 million.

As the following figures show, payments with all monetary areas improved; the change was most marked in the case of the sterling area:

Current balance of payments —
($ million)

	Total		U.S. & Canadian $ & Swiss franc		£ area		Open account area	
	1953-4	1954-5	1953-4	1954-5	1953-4	1954-5	1953-4	1954-5
Visibles	—997	—165	—707	—475	—233	256	— 57	55
Invisibles	684	509	688	544	— 14	— 36	10	1
Balance	—313	344	— 19	68	—247	220	— 46	56

Foreign exchange holdings of the government and of banks rose to some $1,140 million at the end of March 1955 compared with $775 million a year earlier. About $221 million of the present holdings is in the form of frozen credits to Indonesia and Korea, $180 million is short term borrowing and a further $62 million is accounted for by sterling purchases from the I.M.F. This leaves effective holdings of around $675 million compared with about $500 million in March 1954.

Of the government's holdings of $981 million in February, $540 million were in dollars (U.S. and Canadian) and Swiss francs, $238 million in sterling and $89 million in other currencies. The comparable figures for February 1954 were: dollars, $592 million; sterling $33 million and other currencies $76 million.

Small increase in imports

The foreign exchange budget for the year beginning April 1955 provides for a small increase in imports. The total is put at $1,855 million which is 5 per cent higher than actual imports in 1954-55; exports, on the other hand, at $1,620 million are estimated only 1 per cent higher than last year's. Invisible receipts will decline from $764 million to $633 million. U.S. special procurements are estimated at only $420 million compared with some $590 million in 1954-55, but receipts from F.O.A. are expected to rise from $48 million to $85 million. Because more credits fall due for repayment this year expenditure on invisibles is expected to rise by $85 million to $340 million. The overall favourable balance in 1955-56 is, therefore, put at $58 million.

Allocations for the first half year

The Government has approved the expenditure of $1,107 million worth of foreign exchange on visible and $210 million on invisible imports in the first half of the current fiscal year (April to September 1955). The import programme is said to be designed a) to ensure supplies of food and of raw materials for the export industries, b) to cut down dollar expenditure and c) to liberalize the import of goods in which speculative trading is unlikely.

The major commodities to be imported are: rice and wheat ($213 million), raw cotton ($190 million), wool ($50 million), crude oil ($49 million), iron ore ($31 million), and scrap iron ($20 million). Imports under the automatic approval system have been increased from $142 million in the first half of the 1954-55 fiscal year to $155 million in April-September 1955.

Large imports of machinery in 1954

Machinery imports are to be reduced in the current year. This is presumably a reflection of the tight money policy introduced by the government last year. The need for new capital equipment in industry is still great. In 1952 nearly three-quarters of primary and about two-thirds of secondary metal working machinery in the country was more than ten years old. In 1953 and 1954 a substantial amount of modernization and rationalisation of equipment was carried through, but much of the machinery still in use is too old to be really efficient.

If the government had not taken measures to curb investment purchases of machinery would certainly have continued on a large scale. In 1954, before the deflationary measures became fully effective, machinery imports reached a total of $185 million, compard with $169 million in 1953, $94 million in 1952 and only $61 million in 1951. The only category which showed a decrease in 1954 compared with 1953 was vehicles. This was because the cut in import quotas for cars took immediate effect.

Machinery imports

(million yen)

	1951	1952	1953	1954
Industrial machinery	4,196	12,549	22,629	31,034
Electrical ,, ...	1,196	2,255	4,473	4,732
Vehicles	14,841	15,393	24,348	18,557
Precision instruments	1,258	1,511	3,107	3,707
Total (incl. misc.)	21,897	34,080	60,978	67,450

Since prices of imported machinery fell by more than one-quarter over the period the increase in the volume of imports was even higher than the increase in the value. The rise was greatest in the case of metal working machinery (including machine tools and ball bearings), prime movers and internal combustion engines, and mining and construction machinery. Taking 1934-36 as 100 the volume of machinery imports in 1954 was 139, but that of general industrial machinery was only 66, while that of electrical machinery reached 461 and of vehicles 360.

Varying estimates of exports

According to the foreign exchange budget, exports in 1955-56 should reach $1,620 million against $1,602 million in the last fiscal year. Exports to the dollar area should rise from $530 to $570 million and to the sterling area from $579 million to $605 million, but those to the open account countries are expected to decline from $492 million to $446 million. The Export Council, on the other hand, has worked out a programme to increase exports to $1,825 million in 1955-56. This, however, seems an impossibly high figure and is nearly equal to the target laid down for 1957-58 in the Six Year Plan in its present form. The plan itself puts 1955-56 exports at $1,650 million, which is not substantially different from the foreign exchange budget figure.

Emphasis on machinery exports

It is planned to raise exports of industrial equipment by a further $6 million in the current fiscal year to $229 million. Japanese machinery is becoming more competitive on world markets and the number of orders from overseas countries, especially those of South East Asia and Latin America, is increasing.

In the last three calendar years, exports of machinery have developed as follows: (million million yen)

	1952	1953	1954
Total	44.7	74.5	78.5
Price index of machinery exports 1951 = 100	86	83	81
Industrial machinery	20.9	19.4	35.0
of which: Textile machinery	7.7	6.0	16.4
Electrical machinery	6.7	5.4	8.3
Vehicles and ships	10.9	42.2	26.5
of which: rolling stock	2.6	3.4	2.9
ships	3.9	34.5	18.7
Precision instruments	5.1	6.5	7.3

The volume is still rather below the pre-war level. In 1954 exports of electrical machinery were only a little over a third, and of vehicles rather under half of those of 1934-36; but the volume of exports of general industrial machinery was nearly three times as high as before the war.

In the present fiscal year (April 1955 to March 1956) exports of equipment to the dollar area are expected to fall while those to the sterling and other areas are to increase.

Estimated exports of equipment 1955-56

(million $)

	$ area	£ area	Open account area	Soviet bloc	Total
Ships	—	—	—	—	93.6
Ships' engines	—	—	—	—	6.7
Textile machinery	1.9	23.0	12.2	—	37.1
Rolling stock	0.6	11.3	11.1	2.0	25.0
Industrial machinery	6.6	4.1	22.6	—	33.2
Light electrical equipment	1.0	0.3	4.0	0.3	5.6
Heavy electrical equipment	0.8	9.1	8.1	—	18.0
Automobiles	1.4	1.7	6.2	—	9.3
Total	—	—	—	—	228.6

Increased activity of the Ex/Im bank

The Export Import bank of Japan is making an increasingly large contribution to the country's export trade. From December 1950, when it was set up, to April 1955, it approved 399 applications for loans totalling 75,866 million yen ($210.7 million). 74,847 million yen ($208 million) was for export financing, 933 million ($2.5 million) for investment financing and 86 million yen ($200,000) for import financing. The amount actually paid out was 62,100 million yen ($173 million), of which 58 per cent has been repaid. No less than 35,761 million yen (nearly $100 million) was lent last year alone against 18,223 million yen ($50 million) in 1953-54. Over 60 per cent went towards financing the export of ships mainly to Liberia, Panama, Turkey, the U.S.A. and Indonesia; and 2 per cent toward textile machinery for Yugoslavia, Pakistan, South Korea, Turkey and Brazil.

Three-quarters of the 933 million yen credits for investment financing were granted in April 1955: 582 million yen for a joint Japanese-Mexican loom factory; 47 million yen for a fountain pen factory in Brazil, and 65 million yen for a mining company in Thailand. Earlier investment loans were for two mining companies in Hongkong, a forestry venture in Okinawa, a fishing company in Burma, a flax spinning and weaving mill in Formosa and a fountain pen factory in India.

Further export promotion measures urged

Industrialists are urging the Ministry of International Trade and Industry to introduce further export measures.

They suggest that export finance should be eased and more long term credits provided, that insurance facilities should be improved, that the Ex.-Im. Bank should make funds available for advertising and after-sales service in foreign markets, and that a new scheme should be thought up to take the place of the export link system which is being abolished. It is also suggested that for certain products, such as sewing machines, a price fixing system should be imposed to end uneconomic price cutting by individual manufacturers.

The Ministry itself is setting up a special department for export promotion. On the one hand it will be responsible for seeing that obligations under conventions governing international trade are carried out, and on the other for providing Japanese industry with current information in the state of world markets.

Fair trade bill

The cabinet has approved a draft bill to prevent Japanese traders from printing foreign designs and indulging in other 'unfair' practices. The bill imposes penalties on those who mark goods falsely, or who violate industrial property rights and copyrights, or who export goods which are below the standards laid down in the export contract.

U.S. surplus agricultural products

An agreement has been signed under which the U.S. will supply Japan with $100 million of surplus agricultural products, and negotiations will be opened shortly for a loan of $60 million from the U.S. Export Import Bank for the purchase of 330,000 bales of cotton.

Congress is being asked to make a limited return of Japanese assets frozen in the U.S. during the war. The amount involved is about $8 million out of a total of $50 million. No settlement has, however, yet been reached about Japanese indebtedness to the U.S. for postwar aid. The total debt is nearly $2,000 million, but the Americans have offered to accept (on the basis of the formula used for assessing German postwar debts) $600 million spread over 37 years at 2½ per cent interest.

U.K. safeguards against Japanese goods

Negotiations which should have started at the end of May for a new Anglo-Japanese sterling payments agreement have been postponed for a few weeks. The existing agreement, which worked very much in Japan's favour and allowed it to build up sterling holdings (excluding short term credits) of £60 to £70 million, expires on June 30th. In any new agreement Japan will be asked to increase its imports of sterling area goods in order to rectify the imbalance.

To prevent a flood of Japanese goods pouring into British home markets should import quotas be relaxed in future the U.K. government will introduce legislation to permit the imposition of countervailing and anti-dumping duties on imported goods. This is allowed under article VI of G.A.T.T. provided that in the case of countervailing duties the levy does not exceed the amount of the export subsidy, and in the case of dumping duties that it is not more than the difference between the export price and the domestic price.

Japan and G.A.T.T.

The protocol for the accession of Japan to G.A.T.T has been opened for signature and will remain open until the end of the year. It is hoped that two-thirds of the thirty-four members of the organisation will have signed the document before August 11th, so that Japan can take its place as a full member at the next annual conference which opens in Geneva at the end of October. So far U.S., Canada, Denmark, Finland, Italy, Uruguay, Sweden, Peru and Japan itself have signed and other countries who have been negotiating tariffs with Japan since February 21st are expected to follow suit.

U.K., France, Benelux and Australia will not put their names to the document. In practice the U.K. already grants m.f.n. treatment to Japan, but it is unwilling at this stage to be bound by any unconditional obligations. If after a period it is found that there is no unfair trade competition from Japanese goods the U.K. decision will be reviewed. For the present the British government has invited the Japanese government to enter into negotiations for a long term commercial treaty outside G.A.T.T. "embodying mutual undertakings with respect to shipping and establishment matters, protection of industrial designs and tariff matters".

New trade agreement with China

The new trade agreement signed with China on May 4th does not differ significantly from its predecessor. Goods to a value of £30 million in each direction are to be exchanged over the next twelve months. Payments will continue to be settled in sterling.

The commodities involved are divided into three categories. Class A representing 35 per cent of the total includes on the Japanese side copper ingot; aluminium; steel tubes, plates and construction material; railway equipment; ships; and generating units; and on the Chinese side iron and manganese ore; pig iron, coal and soya beans. Class B, representing 40 per cent of exports includes Japanese textile and other light machinery, fertilisers, drugs and other chemicals, road vehicles and precision instruments; and Chinese rice, salt, minerals, wool, tobacco and hides. Class C covers such things as Japanese office machinery, textiles and paper products and Chinese resin, gypsum and carpets.

More than £10 million of the proposed Japanese exports are still on the Chincom embargo list, so it is unlikely that the agreement will be carried out in full. But it is probable that the level of trade will be higher than in 1954 when Japanese exports to China amounted to only £6.8 million and imports from China to £14.5 million.

And with Formosa

The new agreement for trade with Formosa covering the year beginning April 1st 1955 is for $94 million each way (£33.6 million), compared with $74.5 million in the previous agreement. Actual trade from April 1954 to March 1955 was, however, somewhat lower than this target. Japanese exports amounted to $65 million and imports to $63.5 million. The new agreement provides for increased shipments of Japanese fertilisers, machinery and vehicles, iron and steel and non-ferrous metal products. But Japanese exports of textiles are cut from $8 million to $5 million, which will be rather a blow to Japanese industry. It is to be feared that the growth of a domestic industry means that the Formosan market for imported textile is dwindling.

War debts agreement with Siam

Japan and Thailand have reached agreement about the repayment of debts arising from the issue of Japanese military currency during the war. The Japanese government will pay the sterling equivalent of 5,400 million yen (at the current rate of exchange about £5 million) in five annual instalments. In addition it will make available investment goods and services to a value of 9,600 million yen.

Talks with Russia begin

Talks which recently began in London between Japanese and Russian officials with a view to ending the state of war between the two countries and putting relations on a normal footing are expected to last for some months. The topics being discussed include the release of Japanese prisoners still held in the U.S.S.R.; the future of Japanese territories seized by Russia after the war; Japanese fishing rights off the Russian coast; and the future of trade relations.

Whatever the Russians may promise in the way of increased trade in an effort to win the Japanese to their side it seems most unlikely that trade between the two countries will, in fact, increase much in the near future. On the one hand Japanese exports are limited by the C.O.C.O.M. lists; on the other, the prices of Russian goods are on the whole uncompetitive because of high freight costs.

Greater flexibility for exchange rates

On March 22nd the method of fixing foreign exchange rates was modified. Foreign exchange banks are now free to fix rates for import bill settlement and sight bill buying within limits laid down by the Ministry of Finance. The Ministry continues to fix its own buying and selling rates and T.T. rates; but the £/yen rate is now altered with every 1/16 cent fluctuation in the London $/£ rate instead of every ½ cent as hitherto. Similarly Canadian $ and Swiss franc rates are being revised more frequently.

PRODUCTION AND THE INTERNAL MARKET

The first three years of the plan

The Economic Counsel Board has done some more work on the hastily thought-up Six Year Economic Plan and produced a number of target figures for the first three years. They are as follows, compared with the results for 1954:

Year beginning April:	1954	1955	1956	1957	% change 1957 over 1954
Working population (million)	40.2	41.2	42.0	42.8	+ 6.2
Employed „	39.6	40.6	41.4	42.3	+ 6.4
Unemployed „	0.63	0.63	0.60	0.55	—12.7
Mining & manufacturing production (index)	100	101.5	107.6	114.1	+14.1
Agricultural production „	100	102.1	104.4	107.3	+ 7.3
National income ('000 million yen)	6.1	6.3	6.6	6.9	+12.7
Gross national production ('000 million yen)	7.3	7.6	7.9	8.3	+13.8
Domestic capital formation ('000 million yen)	1.1	1.2	1.3	1.4	+27.7
Government consumption „ „ „	1.4	1.5	1.6	1.6	+12.9
Personal consumption „ „ „	4.7	4.8	5.0	5.2	+13.3
Per head consumption (index)	100	102.7	105.2	110.0	+10.0

There does not appear to be anything inherently improbable in these figures. The increases foreseen are relatively modest compared with the three years up to 1954 when industrial activity rose by 30 per cent and the national income by 20 per cent.

1954-55 production up by 4 per cent

Taking 1950 as 100 the index of mining and manufacturing output reached 184.4 in 1954-55. Production was 4.2 per cent higher than in 1953-54, with mining up by 0.3 per cent and manufacturing by 4.8 per cent. The industries which showed the most progress were pharmaceuticals, oil products, railway vehicles, non-ferrous metals, paper and pulp, textiles, ceramics, chemicals and tobacco. Output fell in the coal and coke, rubber, leather, machinery and timber industries.

Curb on coal output

In order to reduce stocks from their present level of 2.8 million tons to a maximum of 2.0 million tons by March 1956 coal production is to be curtailed to 41 million tons in the present fiscal year Capacity is about 45 million tons a year and last year output reached 42.7 million tons. The Ministry of International Trade and Industry puts consumption this year at 43.5 million but the coal industry considers that this is an over-estimate and that 42 million tons is a more realistic figure. If it is proved wrong it is prepared to modify its plan later in the year. The main reason for its pessimistic forecast is that power stations are consuming less fuel than usual because the abundant rains are making it unnecessary to supplement hydro-electric with thermal supplies.

Steel target raised

The steel industry on the other hand continues to enjoy a brisk demand for its products. The first estimate of 1955-56 production was put at 5.7 million tons of hot rolled iron and steel goods but this has now been raised to 6.3 million tons. The production programme of the three major companies is as follows:

	Yawata		Fuji		Nippon Kokan	
	mill. tons	% increase over 1954	mill. tons	% increase over 1954	mill. tons	% increase over 1954
Pig-iron	1.57	13	1.7	14	0.88	11
Bars and billets	2.25	17	1.84	18	1.15	19
Rolled products	1.8	16	1.51	23	0.92	19

Raw materials supplies are assured, except in the case of scrap which is a perennial problem. Producers' prices have been fairly stable in the last two or three months, but it is possible that they may be increased by 2,000 yen ($5.5) a ton in July. At present bar steel (19 m.m.) costs $105.6 a ton for the home market and $112 a ton for the export market and steel plate (12 m.m.) $113.89 home and $115.0 export.

16,000 million yen credit for shipbuilding

The government will grant loans totalling 16,000 million yen (some $45 million) to help in carrying out the 11th shipbuilding programme covering the year 1955-56 and for the completion of the previous programme. It is planned to build 183,000 to 189,000 g.r.t., of which 68,000 g.r.t. will be freighters, 67,000 g.r.t. tramps, and 48,000 to 54,000 tons tankers. Building costs per ton are estimated at 120,000 yen ($380) for freighters, 100,000 yen ($280) for tramps and 70,000 to 85,000 yen ($190 to $236) for tankers. In granting loans the big shipyards will be given favourable treatment.

In the original estimates for the 10th plan production was put at 180,000 g.r.t. but in the final plan it was scaled down to 136,000 g.r.t. This year it looks as though the lively export demand may result in the 11th programme being carried out in full.

Some decline in vehicle output likely

Because of the continuing slackness of domestic demand the output of road vehicles in 1955-56 is likely to be some 2 per cent to 3 per cent lower than in 1954. The production of trucks, buses, and two and three wheeled vehicles for domestic use will be cut, but that of midget passenger cars may increase by as much as 45 per cent. According to present plans 24,600 truck chassis, 4,800 bus chassis, 16,000 special cars and 40,200 midget cars will be produced for the home market, and 1,300 trucks and 700 buses for export. Domestic demand for motor cycles and motorised bicycles is expected to improve as a result of recent changes in traffic regulations.

Preparations are being made to produce a Japanese 'People's car'. The government is at present investigating the potential market and is subsidising motor manufacturers' experiments in designs. It seems that the new car, if it materializes, will be mass-produced in one factory which will get financial help from the Development Bank of Japan. Output will probably be in the neighbourhood of 2,000 vehicles a month and the price will be some 250,000 yen ($700) compared with a price of 400,000 ($1,300) for existing small models.

Continued over-production of cotton textiles

Manufacturer's attempts to impose a voluntary 12 per cent cut in output of cotton yarn and textiles in February were unsuccessful. Production in that month was 190,000 bales, 20,000 more than in January and 20,000 more than estimated monthly home and export demand. Stocks have now risen to some 450,000 bales, an increase of 50,000 since the beginning of the year, and 150,000 above the level regarded as normal. Prices continue to fall slowly but steadily and the financial position of large manufacturers is now becoming difficult—that of small concerns has been desperate for some time.

The government has, therefore, stepped in and ordered that production in May and June shall be 12 per cent lower than that in the same months of 1954. Output should thus be reduced to 173,000 bales a month. This alone is unlikely to solve the problem and it is expected that production will continue to be curtailed for some months. The target appears to be to reduce it to 165,000 bales a month against an average of 197,000 last year.

Foreign exchange allocations for the import of raw cotton have been temporarily suspended in an effort to reduce raw cotton imports to 1.85 million bales, 50,000 less than was originally planned. The bonus distribution of raw cotton to exporters of cotton textiles has been halved, and in future preferential treatment will be given to firms which produce good quality high priced articles.

This emphasis on quality textiles is one step in the drive to capture U.S. markets, where Osaka merchants think that there are good prospects for selling more fine yarn articles, broad cloth, shirting, blouses and velveteens. In Central and South America, in the Near and Middle-East and in Burma Japanese companies are setting up subsidiaries or buying shares in local firms in the conviction that there exists a strong latent demand for textiles which only needs to be stimulated in order to provide additional outlets for Japanese goods.

Rising output of synthetic fibres

The output of man-made fibres is still below the prewar level, but it is rising and a larger number of types is being produced. Viscose filament yarn production in 1954—184 million lb.—was 13 per cent higher than in 1953, but much lower than the 1937 figure of 336 million lb. Viscose staple fibre output at 442 million lb. was an all time record. Exports, too, rose in comparison with 1953. Staple fibre was up by 239 per cent in volume, staple fibre yarn by 58 per cent, rayon textiles by 15 per cent and staple fibre textiles by 109 per cent. Rayon yarn exports, however, rose by less than 7 per cent and towards the end of the year very severe competition was experienced, particularly from European exporters. In order to prevent the home market being flooded with rayon goods the principal manufacturers are talking of introducing a compulsory export quota—probably 2 to 2½ million lb. of yarn a month—which would have to be sold abroad at world market prices irrespective of the losses which it might entail.

Production of the newer non-cellulosic fibres is also rising, and in five years time annual output is expected to reach 100 million lb. The position at present is as follows:

	Capacity (tons per day)		Output million lb.		
	March 1953	March 1954	1953	1954	1955 est.
Nylon	11	17	4.6	10.1	16.0
Vinylon	18	30	8.6	8.1	13.0
Vinyliden chloride fibre	7	10	1.2	3.2	4.0
Total	36	57	14.4	21.4	33.0

Internal demand still slack

There are few signs of any significant increase in internal demand. Urban consumption in March was rather higher than a year earlier, but department store sales, inspite of an increase in floor space, continue to fall. Registered unemployment in March, 840,000, was well above the 1954 peak of 710,000 in August, and was more than 200,000 higher than at the beginning of this year. Real wages are below the monthly average for 1954 but are at about the same level as in the spring of 1954.

The 1955-56 budget has just been passed—interim budgets were approved for April and May—but the estimates contain little that is likely to increase the level of domestic consumption. On the general account revenue is put at 999,131 million yen ($2,775 million) and expenditure at 994,303 million yen ($2,760 million). This latter figure is about 5,600 million yen less than the combined supplementary and original estimates for 1954-55. Treasury investments and loans are expected to rise by 33,500 million yen ($93 million) to 314,000 million yen ($870 million).

Little change in credit policy

Banks are still being encouraged to restrict credit, and the loans and discounts of the Bank of Japan fell from 417,293 million yen ($1,160 million) in March 1954 to 252,130 million yen ($700 million) in March 1955. In compliance with a suggestion from the Ministry of Finance city banks will lower discount rates for ordinary bills fractionally, which will cost them some 5,000 million yen ($14 million) a year. In order to encourage saving and to accelerate capital accumulation the government has decided to exempt from tax all interest payments on bank deposits. These have been rising slowly for some months and since December 1954 have exceeded by a small margin loans and discounts. A slight increase to the money supply can be expected from the decision of the six big banks to release deposits B., amounting to 6,800 million yen ($19 million) which have been blocked since 1946.

ECONOMIC SURVEY OF THE REPUBLIC OF KOREA

For the Republic of Korea 1954 is the first year of post-war reconstruction of a divided economy. Not only did its liberation from Japanese rule have the effect of cutting it off from many markets and sources of raw materials and nearly all its trained managers and technicians; but the separation of the northern provinces, begun at the liberation and accentuated by the Korean war, deprived the light industry of south Korea of its power and heavy industrial of south Korea of its power and heavy industrial base, and its agriculture of the main source of fertilizer on which the rice supply largely depended, according to the U.N. Economic Survey for the Far East.

The disintegration of Korean economy at the time of liberation, the great destruction of productive equipment during the Korean war, and the maintenance of larger defence forces, have compelled the South Korean economy to depend heavily on external aid and to make long-run plans by which this aid can, over a limited period, build up an independent economy.

The government inherited from the military administration 2,400 business and industrial units and over 160,000 residences. Of these more than two-thirds of the businesses and about two-fifths of the residences had already been sold by 1 June 1954. Under the constitution of the Republic of Korea, which was promulgated in 1948, it was laid down that considerable sectors of the economy should remain in government hands. However, the government in 1954 put forward several constitutional amendments designed to free its hand for further development of private enterprises and recently sales of all state-owned mines except a few to Korean nationals by 1955 have been decided. The shift of government policy to encourage private enterprises has gradually and effectively been implemented, and the government control and ownership of large industries will be eliminated in due course of time. The urgent need for foreign capital has also stimulated increasing interest in extending private enterprises.

Neither the United Nations Korean Reconstruction Agency (UNKRA) nor the United States Foreign Operations Administration (FOA) base their present activities on the assumption that there will be a permanent system of planning for South Korea's economy, though the detailed programming of the different industries and their interactions probably goes as far as is found in any democratic society. But to ensure an underdeveloped economy that can balance its budgets and operate effectively it is necessary to plan for adequate capital equipment, and still more for adequate exports.

The dependence on the United States market is likely to diminish as South Korea's minerals find other buyers. As Japan is the only rice-deficit country with a preference for the Korean type of rice, the restoration of the country's role as a rice exporter may increase its dependence on Japan as a market. The government, however, is anxious to be as little dependent on Japan as possible; it has, for example, shown great reluctance to allow Japan to be included among the countries from which tenders for supplies of goods bought with United States aid funds may be obtained.

Nevertheless it is difficult to see how south Korea can be economically independent without substantial exports of food. Only in agriculture has its rehabilitation so far exceeded expectations. Plans for development of irrigation, fertilizers, seed selection, etc. are designed to produce a regular surplus for export by about 1957. A serious long-run problem, however, is the rapid rate of population growth (one estimate of which is over 3 per cent per annum), which will rapidly eat up the food otherwise available for export, even if the maximum probable agricultural development is achieved. The projected increase of food supplies, as compared with several different projections of population, is based on past experience. This shows clearly that within a few years of achieving economic independence the Republic of Korea will be facing a serious problem of over-population.

LONG-RUN PLANS

While long-run plans were beginning to be made by the United States Economic Co-operation Administration, and the Government of the Republic of Korea, in the early months of 1950, very little more than relief and immediate reconstruction had been achieved at the outbreak of the Korean war. The first attempt at long-run planning in south Korea was made by the Office of Planning of the Republic of Korea. This plan has been criticized, mainly for postulating more generous living standards and social services than could be afforded if an adequate volume of capital formation was to be achieved within a reasonable period of years. Further long-range planning has been undertaken in south Korea by UNKRA in cooperation with the government. UNKRA which was established in 1950 by resolution 410(V) of the General Assembly, not only itself planned a substantial number of rehabilitation projects but also engaged a firm of consultants to make a general survey and prepare a plan of reconstruction for the economy. This firm's report, published in June 1954, set as a goal the reconstruction of the economy to yield a national income per head slightly larger than that of 1950, without foreign aid. In planning how to attain this goal the report estimated at approximately $175 million the cost of the armed forces that the Republic could reasonably bear from its own resources, and postulated that if additional armed forces were maintained this would have to be part of a larger regional scheme financed from external sources. The programme postulated, in addition, the reorganization and tightening-up of the machinery of administration and the achievement of greater co-ordination in the detailed day-to-day planning of the economy. Since neither of these postulates has at present been met, the plan has not been accepted as a basis for over-all decisions for the economy of the Republic at present, though several of its detailed recommendations for particular parts of the economy such as power development have been substantially implemented.

The report emphasized the need to gain control of inflation and restore the effectiveness of the price mechanism as a first priority. Thereafter an investment programme was recommended to build up the productivity of Korean industry so as to achieve a viable economy by the year 1958/59. In planning the investment those outlets were emphasized in which productivity was highest, so that the average additional yield projected was to be raised by a rigorous process of selection, as high as one unit of annual income for every 1.7 units of investment in capacity expansion. The report emphasized that the level of consumption must not rise immediately in proportion to the rise in productive efficiency since a balance must be left to enable the country to build up its exports and to make a contribution to investment. It pointed out, however, that during the building-up period the country could produce no net surplus for investment, so that the only immediate effect of diverting local resources to the production of investment goods would be to change the proportion between consumption and investment goods in the total aid requirements. Yet this change was necessary as part of the process of building the economy up to a condition in which it could meet its own long-run requirements. The investment plan is formulated in the first instance as indicated above, in the light of technical assessment of possibility. It is phased so that power, transport, etc., will be available as required by other sectors. Output is estimated on the basis of this investment, and total consumption on the basis of a standard of living rising steadily toward the target level. It is assumed to be the task (admittedly a difficult one) of the Republic Government to keep consumption to this level in spite of a more rapid rise in production.

The pegging of consumption standards while production increases rapidly is a difficult task since high rates of taxation may well undermine the incentive to increase production in South Korea. The existing tax system could probably yield substantially increased revenues if collection could be improved. The percentage of collections to assessments in nine months of 1953/54 was nearly 80, but it is not certain that assessments were as great as tax liabilities. The proportion of the total gross national income taken in taxation, central and local, is approximately 20 per cent, and this must be considered high for an economy which has suffered a recent drastic fall in the standard of living. It is not planned to increase this proportion for 1954/55, although such an increase would be necessary to fulfil the conditions postulated in the consultants report.

An analysis prepared by the Office of the United Nations Command Economic Co-ordinator indicates that though gross national product plus net imports for 1953/54 was some $300 million less than that visualized in the consultants' report, the expenditure on personal consumption in south Korea was over $100 million greater. Domestic investment was only about two thirds of the figure in the report. Perhaps more significantly the comparatively small rise in government salaries that actually occurred, instead of the much larger rise postulated in the report, resulted in a much smaller proportion of the total expenditure accounted for by the government sector. Without a substantial increase in government salaries and other administrative improvements it may prove difficult to achieve the expansion of revenue collection.

Events which have already occurred make it impossible for anything like the Consultants' report's targets to be attained within the stipulated period but it still affords a highly useful basis for the planning which may be undertaken once the present inflationary situation is brought under control and an agreed system of long-run programming is worked out.

The difficulties of achieving stabilization have been accentuated by curtailments of the programme of UNKRA, as well as by delays in arrival of aid goods financed by FOA. In 1950, a committee of the United Nations Economic and Social Council estimated UNKRA's requirements for the first full year of operation at $250 million. UNKRA has never, in fact, been able to plan on the scale of an annual budget of this size, but the figure forms a basis for its schemes in different fields, in the implementation of its directive from the United Nations. Failure to obtain the funds has resulted in substantial curtailments of the original plans. The seriousness of the situation is, however, less than might be inferred from the need for aid goods to finance investment and UNKRA's inability to obtain the necessary funds from member governments; for on the cessation of hostilities $200 million was made available to the Republic of Korea by the United States Government through FOA. If the economy is to be effectively assisted, substantial further funds will have to be provided.

This change in emphasis introduces an additional problem in the co-ordination of long-run planning. By an agreement reached in September 1953 the responsibility of UNKRA and the Korean Civil Assistance Command (KCAC), the operating arm of FOA, were allotted as follows: UNKRA was to be responsible for industry, mining, education, vocational training, fisheries, irrigation, forestry, flood control and housing; KCAC transport, communications, public works, power, agriculture, public health, social affairs and labour, and fund distribution. Other co-ordinating machinery was also established, including a Combined Economic Board consisting of the Economic Co-ordinator appointed by the United States Government to co-ordinate UNKRA and other aid agencies and represent FOA on the one hand, and a representative of the Government of the Republic of Korea on the other. This Combined Economic Board has also a finance committee which has the responsibility of co-ordinating all releases of funds with a view to controlling inflationary effects.

While harmonious relations have been achieved between the different aid agencies the co-ordinating machinery seems to call for improvement. Co-ordination of planning by division of function, even if administered flexibly, is unlikely to be wholly satisfactory; and where historical influences have caused industry, irrigation and flood control to be administered by one agency, power and agriculture by another, the task necessarily imposes great strains. Moreover, the Republic of Korea and the aid agencies are each autonomous, with an effective veto. No joint secretariat has yet been devised, and this has effectively prevented any co-ordinated long-run plan.

The problem of short-run co-ordination is being solved mainly by phasing FOA expenditure to fit in with expenditure plans of the other responsible agencies. The aim is to sell enough imported aid goods during any given quarter to mop up the inflationary effects of deficits in other sectors. The rising expenditure under the war account, and the credits that the Bank of Korea has to issue to meet the losses of government monopolies working under controlled prices and to maintain expenses of new national projects, have so far created inflationary pressures that could only be offset by much more substantial imports of raw materials or consumer goods for sale.

It is, however, often hard to select appropriate aid goods to import for sale. Finished products may compete with struggling local industry; raw materials may find few buyers, if credit is difficult. No doubt, in theory, it would always be possible to import consumer goods to mop up any excess of currency created; but where big incomes escape the tax collector it may be inadvisable to import luxury goods to absorb them, even if the controllers had the necessary detailed knowledge.

Long-run planning has, in effect, been confined to particular programmes on which agreement can be secured. A five-year plan for developing coal mines was set up in 1954, envisaging an expansion of output to 2.7 million tons in the final year by improved equipment and transport. The Electric Power Development Committee established in November 1953 has drawn up a three-year programme for increasing electric power, with capacity in the final year expected to reach 350,000 kW.

A programme of railway building is being undertaken to give access to coal mines and to the Samchok industrial area. Much repair work and rehabilitation of existing lines will also be necessary. The road network is very inadequate, but some improvements have been made by both the United Nations Command Forces and by the Republic of Korea forces and, in addition, a small amount of road improvement has been undertaken as part of the very successful community development projects in the provinces.

The programme of irrigation has been seriously delayed, partly by the pressure to curtail UNKRA activities. Transfer of this responsibility to FOA may lead to substantial expansion.

Some interesting techniques of planning have been developed in south Korea, for example the employment of particular technical firms as advisers to an entire industry, such as coal. In a number of cases the firms constructing plants for the country have been required to sign contracts for running them for a limited period and training Koreans to operate them. The consultants' report also suggests an extensive system of management contracts for Korean enterprises by which private foreign firms would manage the undertakings for a commission, taking Koreans to their branches overseas and training them to take over at the end of the contract. This suggestion has not, however, been widely followed in south Korea.

CURRENT DEVELOPMENTS

In accordance with the long-range plans of the Consultants' report and the underlying assumptions of the south Korean economy, there are three principal instruments for achieving the immediate goal of a free-market economy based on a reasonably stable price mechanism: first, a substantial increase in production; next, an increase in aid goods for sales, and finally a greater measure of control over factors expanding the money supply.

Production:— Developments have generally been more successful in agriculture than in other sectors, owing to favourable weather and improved fertilizer supplies. South Korea, with an estimated total requirements of food grains at about 3.5 million tons, is not likely to become a net exporter of food in 1954. There has also been some improvement in soya beans and in local production of potatoes, in spite of attacks of potato infestation early in the crop year. With the import of over 100,000 tons of relief grain during the year, some high-quality rice may become available for export. Difficulties, however, in obtaining satisfactory premiums for quality from Japan in 1953/54, and serious shortages of rural warehouses appear to have led to consumption by farmers of rice that could have been exported. It is feared that prematurely high consumption standards may weaken incentives to further development and aggravate the political difficulties of exporting rice in future. There are plans for overcoming the warehouse shortage in 1954/55.

Increased coal supplies have been postulated in the five-year plan. Output however has not yet regained the million tons a year achieved in 1949, while total supplies are barely half the 3 million tons needed for South Korea's development.

Three UNKRA projects to provide technical assistance, capital and equipment to the coal industry have not, so far, succeeded in raising the expected 1954 output above that of 1953. The National Assembly fixed a selling price for the government-controlled Daihan Coal Company's output at a level below the present cost of production. Hence, new inflationary bank credits have had to be negotiated for every increase in production. Moreover, South Korea's transport system was never designed to carry coal to local markets, and this has caused serious transport difficulties.

South Korea's minerals are at present its principal earners of foreign exchange and were 87 per cent, by value, of total exports in 1953. The chief mineral export is tungsten, production of which increased satisfactorily up to March 1954 under a stock-piling contract arranged through a United States firm on very favourable terms. Upon the completion of the contract at the end of March, the Korean tungsten market collapsed. Since April some tungsten has been bought by the Government of the Republic of Korea, but it has not been possible to find alternative markets with prices comparable to those paid by the United States.

Copper ore production was at a lower rate in the first six months of 1954 than in 1953. Graphite also fell back, until the middle of the year, owing to market difficulties. Manganese expanded its production in the middle of the year through the conclusion of favourable contracts with Japan, but was also hampered earlier in the year by market difficulties.

Gold output, which is mostly consumed locally, has expanded more than that of any other metal during the current year, and there has also been satisfactory expansion in the output of iron ore. Clearly, however, the mining industry has been prevented mainly by inflationary strains and a cost-price squeeze from making any serious contribution to the expansion of output.

The continuing inflationary pressure has also hampered South Korea's industrial production during 1954. The chief difficulties have been lack of credit and power shortages. Banks and other financial institutions are unable to make loans at rates of interest above the legal maximum of 20 per cent per annum. In view of the rate of increase of prices, this is not an effective interest rate, and a portion of the limited funs available tend to be diverted into speculative buying of commodities. The Reconstruction Bank (a state-owned bank) was established and opened for business in April 1954, taking over a part of assets and liabilities of the former Industrial Bank which was liquidated. The main purpose of this bank is to place financial control of industries under the government, through making of term loans to industries.

Production of several industrial products, including rubber shoes, bricks, pottery and cigarettes was actually lower in the opening months of 1954 than in the corresponding period of 1953. In textiles similar difficulties have been encountered, but the great increase in capacity during the year has resulted in a moderate increase in output. The pre-1950 capacity of 235,000 spindles had been regained by June 1954 and it was expected to reach 400,000 by the end of the year. Productivity per man, however, is lower than before the second world war, partly as a result of inadequate supervision.

There have also been significant delays in developing local production of building materials. While some increase in the output of the existing cement plant has been achieved, breakdowns and delays have reduced this increase below what was expected. Moreover, delay in implementing UNKRA's programmes has deferred by at least many months the completion of a plant for producing window glass locally. In August 1954 a contract was finally signed for the building of this factory.

Industrial investment and housing:— Since sale of investment goods almost always includes an inflationary element of local currency expenditure, the only aid goods that can help to mop up inflation are, in general, raw materials and consumption goods. The government on the other hand normally presses for more investment goods than foreign aid agencies feel should be supplied. The progress of reconstruction has, however, been held up, partly by difficulties in making available the local currency funds to pay for the local labour and material on investment projects. In housing, for example, where the deficiency is estimated at between 600,000 and 1 million houses, delays have occurred, both as a result of shortage of local funds and because of delay in the implementation of UNKRA's programme. During late 1953 and the early months of 1954, it was at last possible to begin producing rammed-earth houses which economize timber and other scarce materials, by using South African machines and local machines made on the same model. It was hoped that 4,300 houses would be produced in 1954 under the UNKRA programme for 1953/54, but by September materials had arrived for only about 2,000. The main achievements in housing, however, are those of the Korean Civil Assistance Command which had produced 6,500 houses in the first eight months of 1954.

Arrival of aid goods and withdrawal of United Nations forces:— The second main anti-inflationary weapon was to be a substantial increase in the arrival of aid goods. The $200 million allocation through FOA might have materially increased the 1954 supply of those goods. However, the actual arrival of goods was delayed by the change in the technique of authorization and procurement by the United States Government and by other reasons. In the end the actual arrival of goods by 30 June 1954 out of the $200 million totalled only $33.5 million, though the whole sum had then been committed. The total flow of aid goods from all sources at about $11 million per month was at a lower rate for the first five months of 1954 than for either 1953 or 1952.

Disappointing performance in both production and import of aid goods drastically limits the resources available to prevent inflation. The withdrawal of most of the United Nations forces from the Korean theatre removed an important invisible export from the South Korean balance of payments. Insofar as the services formerly supplied to the United Nations Command are no longer required, there will be a fall in income corresponding to the fall in foreign exchange and no inflationary effect need therefore arise. In some measure, however, the services will now have to be supplied to Korean forces.

A minor factor operating to reduce inflation may be the reduction in the circulation of US military payment certificates. These are issued to American military forces for use in military establishments, but the comparative ease of spending them and their stability in relation to the dollar have made them an auxiliary currency, sometimes used by the Korean people themselves. A contraction in the circulation of this currency may have a moderately deflationary effect.

The 1954/55 budget:— We must next enquire how far fiscal and monetary policy was able to counteract the inflationary pressures. The budget of the Republic of Korea is not a fully adequate instrument for financial planning of the economy. A number of items are excluded from the budget proper and supplementary expenditures are incurred comparatively freely. The 1954/55 budget was originally presented for a fifteen-month period, since 1954 witnessed a change from the financial year 1 April/31 March to the year 1 July/30 June. The current year therefore runs from 1 April 1954 to 30 June 1955.

The tax structure remains comparatively little changed from 1953/54 to 1954/55; the chief development being an anticipated increase in the yield of income tax, probably mainly due to expectation of improved collections, but also influenced by the effect of inflation on money incomes. The yield of income tax has been affected by several changes in the incidence of taxation on business, designed to encourage re-investment, which were introduced in March 1954.

The budget showed separately the general budget, war budget, and a consolidated picture of the special accounts. The intention was to transfer, in effect, the net surplus of H 8,200 million from special accounts to the general account and over H 19,400 million from general revenues to the war expenses account after balancing the general account from taxes and other revenues. The war expenses account, however, was to exceed this amount transferred by nearly H 52,000 million, and this was to be met partly by the sale of H 3,000 million of national bonds and partly from the counterpart fund derived from the sale of foreign aid goods. At the time of presentation of this budget, it was widely believed that H 49,000 million of aid represented an unduly optimistic estimate and that therefore the budget would be moderately inflationary. Since April, the estimates of the amount needed under the war expenses account have been increased. It has also become apparent that the transfers from special account will fall short of the estimates, because the National Assembly has not allowed the planned rise in prices of some of the government monopolies, and the supply of aid goods has fallen short of expectations. By July there had not only been a substantial increase of the currency, but the estimates of the supply of aid goods required had been increased from H 49,000 million for 15 months to over H 50,000 million for 12 months. Even with this increase an expansion of over H 13,000 million in the currency supply is envisaged during the remaining 12 months of the financial year.

Increases in money supply:— The acceptance of a major increase in the money supply as a probability, even on optimistic assumptions about aid goods arrivals, is the more serious because the currency has already been expanding at a rate greatly in excess of the expansion of output. It is a particularly unfortunate fact that the beneficial psychological effect of the currency reform of February 1953, followed by the armistice, has not been sustained and that inflation, both in the latter half of 1953 and since the first quarter of 1954, appears again to have taken hold of the Korean economy. The initial impact of the currency reform was successful, but under the constitution the details had to be put before the National Assembly, which granted such liberal conditions for unblocking blocked funds that the effect was largely nullified.

For a decade there have been relatively few periods when prices have not been rising sharply and exchanges declining. The price level has not followed exactly the expansion of the monetary supply; in particular during the early months of 1954, a considerable expansion of the monetary supply took place with much more limited increases and even some decreases in price levels. This was probably due to increased agricultural productivity and comparatively large imports of aid goods at the end of 1953. There was also a strong psychological expectation that conditions would improve after the armistice which appears to have led to a reduction of hoarding of goods and of the speed of money circulation. Disappointment of expectations later in the year, combined with increasing nervousness to reverse this process and to lead to a rapid rise in prices and decline in the value of the currency, while the supply of money was increasing hardly more rapidly than before, resulted in further rises in prices.

This shows the important role of government overdrafts with the Bank of Korea as the principal source of inflation. The sum of the overdrafts during the first six months of 1954 actually exceeded the total increase in the money supply. A part of these increases was due to borrowing on the grain management account, some at least of which should be seasonal in character. The major part, however, has been debt incurred on account of the war bud-

CONSUMPTION, IMPORTATION & DISTRIBUTION OF CHEMICAL FERTILIZERS IN TAIWAN

In face of growing population and in view of Taiwan's economy being basically agricultural, how to increase its agricultural production has been the most important economic problem of Taiwan. Limited by its topographic conditions and potential insufficiency, however, the propagation of agricultural produce has to rely greatly on the use of chemical fertilizers in strengthening the fertility of the soil. In other words, without chemical fertilizers, no agricultural produce in large quantities can be raised; therefore, the importation, consumption and distribution of chemical fertilizers have an important bearing on the agricultural production. The actual conditions of their importation, consumption and distribution in Taiwan are set forth in the following paragraphs:

Importation and Consumption

1. During Japanese Occupation: Consumption of chemical fertilizers was first introduced to Taiwan in 1901 when the Japanese Government imported the same for free distribution to the sugarcane farmers. Later, the importation was handled jointly by local counties and districts with a view to importing fertilizers of high quality but at low costs. When a number of merchants participated in the importation, the Japanese considered it necessary to promulgate a set of regulations governing the distribution in order to place the cost and quality of fertilizers under proper control. For a reasonable and fair distribution, the various agricultural organs were held responsible for making estimates on amounts of fertilizers required for each year and the planned production of various crops. The Provincial Agricultural Society was to purchase the fertilizers from importers and fertilizer factories for distribution to farmers through the various agricultural societies. During this period the biggest consumption year was 1938, totalling 648,890 metric tons (consisting of nitrates 77,285 metric tons and potash 9,078 metric tons).

2. During War Time: After the outbreak of World War II, due to shortage of shipping tonnage, and reduced production of Japanese fertilizers, the quantity of imported fertilizers was greatly diminished, thus adversely affecting the agricultural production to a very serious extent.

3. After V. J. Day: In 1945 and 1946 agricultural condition here was in a lamentable state. Therefore, great emphasis was laid on the rehabilitation of farming operations and on the increase of agricultural production. Supply of chemical fertilizer has become one of the important tasks of the Government. From 1945 to the present, imported fertilizers have been drawn from four sources:—

(1) Relief Fertilizers: After V. J. Day, UNRRA imported enormous quantities of chemical fertilizers to China, and owing to the urgent demand of this Province where utilization of chemical fertilizers has already shown effective results, most of the UNRRA fertilizers have been allotted to Taiwan, aggregating 121,000 odd metric tons, among which the major portions are ammonia sulphate, ammonia nitrate, ammonia phosphate and calcium superphosphate. Being for relief purposes, these fertilizers were distributed free, only collecting some transportation charges and management fees.

(2) Allotment by Central Government: In spite of the supply of relief fertilizers, the shortage of fertilizers in various towns and villages was still acute. At the time, fertilizer production in foreign countries was also insufficient to meet the demand; after repeated efforts of the Central Government to negotiate with the United Nations at the Food Conference, a total of 94,757 metric tons of chemical fertilizers was received by this Province during 1948 and 1949, being one third of the total allotment successfully obtained by the Central Government from the United Nations. They are of three kinds, viz., ammonia sulphate, ammonia nitrate and ammonia phosphate.

(3) American-Aid Fertilizer: After its office being removed to Taiwan, ECA had paid close attention to the urgent need of fertilizers here, and recognized the fact that the importation of fertilizers under the economic program was the most effective effort. Provision has accordingly been made in the Aid Fund for the purchase of fertilizers, and the quantities imported during the past years are shown in the following table:

(TABLE I)

Quantities of Chemical Fertilizers Imported by ECA/MSA, 1949-53

Unit: M/T

ITEMS	1949-50	1950-51	1951-52	1952-53
Ammonia Sulphate	61,850	73,445	121,425	52,954
Calcium Ammonitrate	—	13,858	78,267	—
Ammonium Sulphate Nitrate	—	—	396	104,780
Ammonia Phosphate	31,237	24,738	5,538	—
Ammonia Superphosphate	—	15,498	40,576	—
Ammonia Nitrate	1,770	12,651	—	—
Calcium Superphosphate	—	—	39,986	—
Potassium Chloride	—	—	41,302	48,317
Potassium Sulphate	—	—	3,425	1,979
TOTAL	94,857	140,190	330,915	208,030

Source: JCRR Annual Report.

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get. Other features are the comparatively small scale of the proceeds of aid goods in relation to the amount of the inflation and the fact that the proceeds of government foreign exchange, mainly derived from payment for currency drawn by United Nations forces, have greatly exceeded the amount of that currency. Reasons for this are partly repayments made for past uncompensated issues of local currency to United Nations forces, and partly differences in the rates of exchange at which the hwan were sold and bought back.

Private credit by banks was sharply restricted during the early months of the year; but this had probably been an aggravating rather than a relieving factor because its adverse effect on production had probably been more serious than any likely aggravation of direct inflationary pressures. Figures showing the break-down of the increase in money supply after June are not at present available, but it is believed that psychological factors have aggravated the rise in prices and in foreign exchange rates during these months.

On the whole, the greater part of the year 1954 has been a period of disappointment. One of the reasons for this is that it has been found impossible, for lack of funds, to implement anything like the original UNKRA programme. The delay in obtaining these funds from member States has had far-reaching consequences because the curtailment of the UNKRA programme has produced serious planning difficulties and there have been unavoidable delays in building up the FOA programme to replace it. As a result, renewed inflationary pressures have hampered both mining and industrial production and the psychological advantage of the post-armistice period has been lost.

(4) Fertilizers Acquired by the Provincial Government and through Barter: A trade agreement for the exchange of goods on barter basis has been entered into between Taiwan and Japan since 1951. Very large quantities of fertilizers have therefore been imported from Japan by the Provincial Government through the Food Bureau. In 1954 the purchase of American fertilizers was brought to a complete stop. Since the Japanese fertilizer industry is expanding, it will have a surplus to supply the need of Taiwan from 250,000 to 300,000 tons a year. But the principal fertilizer imported from Japan is ammonia sulphate, and the procurement of other fertilizers such as potash, phosphorous rocks, etc. can only be made from other free currency areas. Fortunately, another barter agreement was signed with France last year; thereby potash, phosphoric and other fertilizers can be imported from France.

4. Consumption of Fertilizer and its Relation with Rice Production: The consumption of fertilizer is increasing year by year as the production of rice increases. At the beginning nitrogen was the principal fertilizer used; now, phosphatic and potash fertilizers take its place (see Table II). As fixed and directed by the agricultural authorities, the three elements of nitrogen, phosphorous and potash are proportionally mixed up for use, and the result is very encouraging.

(TABLE II)

Consumption of Chemical Fertilizers in Taiwan

Unit: M/T

YEAR	Material Gross	N	P_2O_5	K_2O
1938	648,890	77,285	28,120	9,078
1948	133,347	23,930	8,616	186
1949	152,638	25,386	8,078	321
1950	290,877	48,140	13,073	1,263
1951	368,859	58,617	12,658	9,610
1952	469,830	68,349	21,988	11,821
1953	497,766	69,456	25,114	14,541

Sources: JCRR Annual Report.

Distribution

1. Distribution System: During the Japanese occupation period, the distribution of fertilizers was under the unified control of the government. Our government has also considered it necessary to place the importation, production and distribution of fertilizers under strict government control. A unified plan for its control has therefore been devised, under which no free trading of fertilizers is allowed in the market.

2. Distribution Agency: For the distribution of relief fertilizers, a commission for transportation and distribution has been formed, which was charged with the sole duty of receiving, handling, storing and transporting fertilizers for distribution to various farmers through agricultural societies. In May 1949, to co-ordinate with the Government policy of exchanging fertilizer with rice, the functions of the agricultural societies have been integrated with those of the Food Bureau through the establishment of a Fertilizer Distribution Department in the Food Bureau. Distribution of all fertilizers produced locally and imported are handled by this Department with the assistance of agricultural societies. The principal work of the Department is to distribute fertilizers for the rice production, but fertilizers for other agricultural products are also handled. Fertilizer for raising tobacco is distributed direct to the farmers by the Wine and Tobacco Monopoly Bureau and that for pineapple by Taiwan Pineapple Corporation. The importation and distribution of fertilizers for the plantation of sugarcane are handled direct by the Taiwan Sugar Corporation themselves.

In regard to the required quantities of fertilizers for the different agricultural products, a Special Fertilizer Group has been instituted by various organs concerned to perform the following duties:—

(1) To co-ordinate with the four-year plan of economic development and agricultural production;

(2) To work out the amounts of nitrogen, phosphorus and potash required for the production of different farm products, based upon the result obtained from experiments and according to the habitual use by farmers in different localities;

(3) To ascertain the quantity of fertilizers required per hectare and to allot nitrogen, phosphoric and potash fertilizers according to the farming area cultivated by each farmer; and

(4) To estimate the total amount of fertilizers to be procured abroad and to entrust to the Central Trust of China for the importing.

3. Method of Distribution:

(1) Free Distribution: In addition to ECA fertilizers, distribution of which was free of charge, the Government has distributed free fertilizers to farmers, who were suffering from flood or drought or labouring under other hardships.

(2) Purchase with Cash: In the distribution of fertilizers for the cultivation of sweet potato, wheat fruit, tea, groundnut, ramie and vegetable, the Food Bureau usually collects cash, and the price is fixed on the importation cost plus transportation and storage charges. As a rule, the prices of fertilizers for different kinds of cultivations, after having been fixed, are publicly announced.

(3) Price Paid in Kind: In order to lighten the burden of farmers and at the same time to stabilize prices of staple food, fertilizers for the cultivation of rice have been distributed in exchange for the coming crop ever since 1948. The benefits to farmers by this method of distribution are immense, although the ratio between rice and fertilizer has sometimes been fixed not to the advantage of the farmers.

The Government may also grant loan of fertilizer—to be repaid by rice after harvest plus 3% as interest for the loan—to farmers. Fertilizers given out as loan have come to as high as 70% of the total amount for distribution.

As an encouragement to sugarcane farmers, the Taiwan Sugar Corporation also distribute fertilizers on a loan basis, which are to be reimbursed by the farmers' share of sugar after harvest.

Conclusion

The use of chemical fertilizers for cultivation in Taiwan has had a history of several decades, and the scope of application is rather extensive. Farmers used to prefer the use of ammonia sulphate, and often grudged against potash, phosphate and other imported fertilizers; therefore, at the beginning, fertilizers imported under the American aid program were mostly nitrogen and phosphorous elements. For the increase of productivity, however, various experiments have been conducted to find out the productive strength of different kinds of fertilizers in order to obtain the suitable ratio required of the three elements of nitrogen, phosphorous and potash. Based on a proper and reasonable ratio are fixed the actual quantities of nitrogen, phosphorous and potash that are needed on one hectare of land. In order for farmers to understand how the different quantities of fertilizers should be used, the authorities have taken pains to establish experimental fields, to publish educational literature and to give public lectures.

ECONOMIC INDICATORS OF TAIWAN

	Note Issue		Currency and Finance Deposits		Loans and Discounts		Interest Rates in Taipei		Price Indices in Taipei		COI Index for Taipei Civil Servants 6/15/49 = 100	Index of Industrial Production 1948 = 100	Wage Index 6/49 = 100	Foreign Trade (U.S.$1,000)		
Period	Total NT$ 1,000,000	Index June, 1949 = 100	Balance NT$ 1,000,000	Index June, 1949 = 100	Balance NT$ 1,000,000	Index June, 1949 = 100	% Monthly Rate	Index June, 1949 = 100	Wholesale Price Index 6/15/49 = 100	Retail Price Index 6/15/49 = 100				Exports	Imports	U.S. Aid Imports
1949	198	354	207	209	441	678	17.4	42.3	100.0	100.0	100.0	157.3	100.0	33,874	25,990	8,688
1950	298	528	659	666	632	972	12.0	29.2	270.1	255.3	249.9	174.6	246.8	93,074	91,618	20,545
1951	513	916	1,283	1,296	837	1,288	10.5	25.5	447.2	400.6	324.1	184.1	415.4	93,135	84,319	56,621
1952	748	1,336	2,096	2,117	1,488	2,289	6.6	16.1	550.2	468.0	418.2	237.6	607.2	119,527	115,225	89,062
1953	983	1,755	2,668	2,695	1,984	3,052	4.3	10.5	598.4	488.9	494.6	322.6	758.2	129,790	100,569	84,007
1954	1,228	2,193	3,278	3,311	2,711	4,171	4.1	10.0	612.6	490.2	502.9	348.1		97,755	110,217	87,840
1955																
Jan.	1,270	2,268	3,266	3,299	2,641	4,063	4.2	10.2	634.6	520.1	546.0	265.0		8,494	5,904	2,803
Feb.	1,187	2,120	3,530	3,566	2,799	4,306	4.2	10.2	656.2	541.6	542.7	200.6		11,116	9,160	5,993
Mar.	1,164	2,079	3,833	3,872	2,827	4,349	4.4	10.7	667.1	543.5	549.7			11,599	3,454	5,726
Apr.	1,207	2,155	3,991	4,031	3,066	4,717	4.2	10.2	673.5	543.9	541.1			7,648	5,983	

HONGKONG NOTES

COLONIAL SECRETARY AND LOCAL MANUFACTURERS

At a Chinese dinner given by the HK Chinese Manufacturers' Union in his honour, the Colonial Secretary, Mr. E. B. David, advised local industrialists to keep their products genuine and strictly up to sample for the sake of the good name of the Colony. He also stated that Government would continue to assist C.M.U. as well as the local Chambers of Commerce and the newly-formed Hongkong Exporters' Association in their endeavour to ensure that buyers would be happy with any products labelled 'Made in Hongkong'. Mr. Hui Ngok, President of the Union, claimed that the C.M.U. had played a substantial part in the expansion of local industries after the sharp decline of the entrepot trade: "We participated in the arrangements for exhibiting the Colony's products at various International Trade Fairs, and, in addition to our own Annual Exhibition, we have organised similar exhibitions in Singapore, Djakarta and other places. We have been sending delegations abroad in search of new markets and in publicising our products. The Union has established a permanent display centre for overseas buyers as well as for the local public. We have maintained close liaison with the Government, our friends and partners as well as with the local Chambers of Commerce. We will continue to work closely with Government and all those interested in Hongkong's industry, to develop overseas markets and to ensure that buyers are happy with, and the Colony can be proud of, any products bearing the label 'Made in Hongkong'."

CONSTRUCTION OF THE NEW AIRPORT RUNWAY

Government has awarded a $90½ million contract for the building of the new 7,250' runway at Kai Tak Airport to a French construction company, the Societe Francaise d'Enterprises de Dragages et de Travaux Publics. Work on the project will start as soon as the company's engineers, machinery and plant arrive in the Colony. The French firm will be working in association with a British company, Messrs Gammon (Malaya), Ltd, who reconstructed the Airport after the Japanese occupation. The contract, which is for Stage I of the development of Kai Tak Airport—reclamation of the promontory of land on which the runway will be built out into Kowloon Bay, and the construction of the runway itself—will be completed within three years. On completion of this stage, the two existing runways will be closed down and further contracts will be placed for the construction of a new enlarged terminal area. By 1960 Kai Tak will be an ultra-modern airport with an International Civil Aviation Organisation classification of "A". It will be capable of operating on a 24-hour basis, and will accommodate all types of modern civil aircraft. The new runway will be constructed of a special French concrete mixture, known as "Precontraint." Kai Tak Airport, as one of the major Far Eastern air terminals, catered for a total of 1,572 commercial aircraft, 31,682 passengers, 185,440 kilos of mail and 602,733 kilos of freight, during the October-December period last year.

NEW $25 M. POWER STATION

To meet the increasing demand for power supply, the HK Electric Company Ltd. is planning to erect a $25 million power station at North Point. The new station will be commissioned by the end of 1959. Plans for the erection of the new plant are in an advanced stage of preparation. This station will have an initial installed capacity of 30,000 kilowatts, consisting of one steam turbine coupled with its own high pressure oil-fired boiler. This unit will conform with the latest British practice and will operate at a high state of efficiency. An additional 30,000 kilowatt units and boilers can be added to meet any further development on the island.

NEW BUILDING PROJECTS

The block bounded by Des Voeux Road Central, Pottinger Street, Queen's Road Central and Chinese Street is now being demolished. A 14-storey building costing $5.5 million will be erected on this site. Construction work will be completed by the end of next year. The new building will have escalators at the Des Voeux Road entrance. Right behind the Princess Theatre in Kowloon, a 10-storey apartment house will be built and sold at $37,000 to $50,000 per flat. Payments could be made by instalments stretching over two years. At Tai Hang Tung in Kowloon, another six 7-storey resettlement blocks will be built. The building will provide about 2,500 rooms and will be completed by March 1956.

THE HONGKONG CHINESE BANK

The Hongkong Chinese Bank Limited was officially opened last week by the Financial Secretary, Mr. A. G. Clarke. Dr. S. N. Chau is the Chairman of the Board of Directors. The Manager is Mr. E. H. Tan. The Bank is financed by 15 local Chinese businessmen. It is situated in the Hongkong Hotel Building.

HONGKONG BANK INTEREST

The Hongkong & Shanghai Banking Corporation, the Chartered Bank of India, Australia & China, and the Mercantile Bank of India Limited announced on August 3 that interest would be paid on current accounts at 1% per annum on minimum monthly balances in excess of HK$5,000; interest on savings would be paid at 2% per annum; and interest on overdrafts increased to between 6% and 8% a year. This decision caused a sharp slump on the Hongkong Stock Exchange on Wednesday. The fall was about the sharpest this year and losses of up to five per cent were recorded on the day. There was no indication as to the action to be taken by the Chinese banks.

SEVEN-YEAR PROGRAMME FOR MORE PRIMARY SCHOOLS

Government has approved in principle a seven-year programme to increase primary school accommodation. The main feature of the plan, prepared by the Education Department, is the construction of a large number of new Government schools and Government-subsidised schools and, subject to funds being available, the encouragement of non-Government bodies to build schools by granting them interest-free loans and school sites on reasonable terms. In addition, Government will extend the two-sessional system wherever possible and to increase the sizes of class-rooms in new school buildings to take up to 45 pupils. As a first step, five new Government primary schools will be constructed and an extension of the Grantham Training College will be built. Commenting on the plan, the Director of Education, Mr. D. J. S. Crozier, stated that the number of children of school age will increase steadily over the years and may well be twice the present figure in ten years' time. Nearly 45,000 children will come of school age in 1955 and by 1961 an estimated 71,000 will reach school age. Between 1955 and 1961 it is estimated that the number of children of primary school age, that is between the ages of six and twelve, will increase from 210,000 to 366,000. Thereafter the annual rate of increase is not likely to be less than 20,000.

HONGKONG TOURIST ASSOCIATION

The Civic Association has asked Government to establish a Tourist Association as soon as possible. According to the Association, approximately 200,000 tourists visited Hongkong every year and spent HK$150 million during their stay. The proposed tourist association should act as the distributing centre for information on Hongkong. Posters, booklets, pamphlets and even films concerning Hongkong tourist's attractions should be distributed overseas. The Association also pointed out that the leading hotels here have only a limited capacity with a high percentage of permanent residents; in certain cases the length of time taken to secure a visa was too long; more luxurious transportation facilities should be provided for touring the Island of Hongkong and the New Territories; and that there should be more overseas publicity.

THE DOUGLAS STEAMSHIP CO., LTD.

A dividend of $5 per share was approved at last week's shareholders' meeting. Early this year the Douglas Steamship Co., Ltd. contracted the purchase of a 10,000-ton modern ship. The Chairman's printed statement commented that as there appeared to be no better prospect of the resumption of the Company's pre-war trade, this ship would not, immediately at least, be bringing the old colours of the Douglas Company back to the port of Hongkong. However, this vessel would operate profitably in other spheres. The Chairman further reported: "The tendency to which I referred a year ago towards a further sharp decline in ship values was not borne out by the experience of 1954. The higher course of ship values during the year induces the belief that, whether there is international tension or harmony, there will be no catastrophic slump from present prices as had been forecast by responsible people in the shipping industry. The several reasons for this have now emerged. Prominent among them is the cost of new building and in particular the labour charge involved therein, which is being driven up to uneconomic levels especially in the United Kingdom. The increased demand for tonnage arising out of the changed course of international trade is another important factor. Nevertheless, the building of new ships, except for a specialised trade, does not appear to be an economic proposition at their present prices because if the depreciation charge upon them is adequately brought into account, that alone renders it impossible to quote competitively and at the same time to retain the margin of profit which the risk is worth. As the volume of world tonnage expands, the purchase of old ships at any figure much in excess of their scrap value is a perilous business. Quite apart from the heavy running expenses they are apt to incur, these will be the first vessels to be put out of commission on any temporary recession of trade."

WING ON LIFE ASSURANCE CO., LTD.

The Wing On Life Assurance Co., Ltd. reported a profit of over $750,000 for the year 1954. An interest of 6% and a bonus of 2% on paid up capital (both free of tax) were declared at the Company's annual meeting last week. The Chief Manager, Mr. L. P. Kwok, announced that the new 14-storey Wing On Life Building would be completed within the next 8 months. Last August, the Company started Life Assurance Business in Singapore and the Federation of Malaya through the Wing On Fire & Marine Insurance Co., Ltd., Singapore Branch. Besides the remarkable increase of the life assurance business during the year there was also considerable improvements in Accident Insurance, Workmen's Compensation Insurance, Group Insurance, etc. The year 1954 established for the Company in her history not only a record of highest surplus but also a record increase in the volume of business.

HONGKONG — ASIA'S PLAYGROUND

By J. T. Fujii

(Editor, "Orient Digest," Tokyo)

Hongkong, this habitat of the Chinese, British governed, international in flavor and geographically a stone's throw from Communism, rivals the giddiness and glamor of the French and Italian Rivieras. Hongkong popularly means 400 square miles of land consisting of a beautiful island (Hongkong proper) and a strip (Kowloon) on the southeastern mainland of China with a ten-minute ferry ride in between. Thriving under the uniqueness of being a free port (adds up to reasonable prices) and blessed by sunny skies and balmy sea breezes that just won't quit, Hongkong is a natural for an enjoyment of living and a kind of play that is not sustained consistently in many other spots in the world.

High powered motoring, yachting, water skiing, swimming, cricket, tennis, horseracing shopping, dining, nightclubbing, and gambling are a few of the diversions offered on an elaborate scale. In this formidable lineup, most people intent on fun and relaxation find something to their liking. As a matter of fact, transitory world travelers find so much of interest here that Pan American is kept busy making far flung itinerary changes to provide extensions of time in Hongkong. This is pretty solid proof that Hongkong is irresistible.

Due to the minuteness of the country, long drives are not possible, unless you go around in a circle, but the principal roads are good. So flashy sports cars, latest mechanical achievements of line and speed from many countries, zoom along the curving mountain roads to reach the white wedding cake-like mansions studded into the hillside or to gaze by sunlight or moonlight at the spectacular view below.

If you are in Hongkong in the summer you will want to spend much of the time sprawled on the beach, swimming, fishing or sailing. However, during the other months of the year, you will have to attend the horse races. Even if you are not particularly interested in nags and how they run, you will find the racing of Australian horses in Hongkong is infectious. For one thing if you are present when a "Cash Sweep" is being held, a 35 cent ticket, a lucky one that is, can net you as much as $125,000. The Hongkong Jockey

Club which sponsors the sport is proud of its policy regarding the "public bets on the horses and the public benefits on the returns." In addition the club each year pays a huge tax to the government and makes commendable charity donations.

For the traveler who likes excitement and adventure, a trip to the Portuguese island of Macao is a must. Parties can be organized and the trip by ferry is interesting and pleasant, sleeping accommodations being excellent. Visitors often prefer to be on the boat by night, spending their daylight hours in Macao sightseeing and their evenings at the casinos. Plan on 10 to 25 dollars per person (exclusive of gambling costs) for a 12 to 24 hour excursion. Don't let Macao's reputation of being the wickedest spot in the world intimidate you. As an old time resident of Hongkong expressed it, "the Macao of today is about as wicked as a Sunday school picnic." Nevertheless the old reputation apparently was not without basis as Macao has at various times depended on gambling and traffic in women and narcotics for its survival. Gambling is still legal, but is no more sinister than fan-tan games or roulette wheels found in Europe.

Shopping in Hongkong is an inexhaustible topic as well as pastime. It is now prohibited to take into the United States any object or product which originated in Communist China. This decree does not greatly restrict buying, unless you have a passion for jade or Chinese antiques. Many Chinese products are now manufactured in Hongkong, and the exquisite merchandise from other parts of the world gives you the opportunity to purchase gifts at bargain prices for every member of the family and everyone on the block at home. Some experienced world travelers suggest doing all international shopping in Hongkong. They point out: why wait to get to Italy for cameos or England for cashmeres when you can get Italian cameos or British cashmeres cheaper in Hongkong than in the country of origin.

Hongkong, like the Cote d'Azur, because of size and construction, lends itself to promenading. It is simpler and more fun to walk, if you are shopping; or stroll, if you are looking and interested in getting the feel of the places. For one thing the narrow and congested streets of the Chinese section are not very receptive to automobile traffic. Cat Street, in this area, is considered the most intriguing spot of all by many visitors. Here the Oriental flavor is concentrated, and the tiny cluttered dark shops may hold an exquisite bargain that is yours for the rummaging.

Rickshaws can be used for resting to speed you moderately along your way. They are inexpensive, can be picked up easily and have no parking difficulties. For the Westerner, who usually recoils from using human transportation, this thought should be passed along. Pulling rubber tired rickshaws along paved streets is less back breaking than most of the menial tasks these people must do to live. And if you don't use them, a dream of one day having a vegetable patch or a rice paddy of their very own somewhere in the New Territories will never be realized.

Many of the Chinese find it difficult to make a living. All the refugees who fled from the Communists were not burdened with wealth enough to go into business and buy beautiful homes. Pretty little Hongkong is not equipped to deal with this influx of unfortunate humanity. So there is poverty which remains in the shadows while the facade is made up of clean streets, pretty clothes, sleek cars, red simonized double decker buses, trim traffic cops with starched sleeves and highly polished shoes, all designed to catch and reflect the sparkle of persistent sunlight.

Eating is very satisfying in Hongkong. After hours of sightseeing, shopping or playing, no matter what your mouth is set for—be it chicken kiev, egg foo yung, crepe suzette or ham and eggs, it can be found here in its most delectable form. Hongkong cuisine can not be typical since it is so international. Quite naturally, Chinese restaurants are the most plentiful and there are very good ones too. Most of the food is Cantonese, but the Peking style duck has by no means lost its place of honor. And if you have a hankering for chicken baked in a mud pack, the Restaurant of the Heavenly Fragrance (a bit earthy despite its celestial handle) on the Kowloon side is the place for you. Since you are not apt to be going to Russia this season, enjoy some of their rich delicacies at the Russian restaurants in Hongkong. Or if a Mongolian treat is to your liking, sit under the stars on the side of a hill and enjoy bits of grilled lamb dipped in succulent sauces. And remember that PG does not stand for soap in Hongkong but is the intimate term used for the Parisian Grill, famous for its French cooking. Emile, owner and long time resident of this port city, often returns to France to see if his countrymen have discovered a new twist in the preparation of foods. His PG is attractively appointed and suave Monsieur E. makes quite an imposing picture when seen through the blue flame of burning liqueurs as he deftly turns paper thin pancakes.

Gaddis in the Peninsula Hotel can serve you excellent foods of many countries. A famous place in Hongkong "to tiff" is the beautiful Repulse Bay Hotel, and the best day to do it is on Sunday. That is when the best linen and silverware hold as varied and elaborate a tiffin as you ever hope to see or eat. The glass encased dining room and verandah provide you with a beautiful and romantic view. For the fish fry of your life, the Floating Gardens of Aberdeen offer any number of salt water delicacies served up with an atmosphere unequalled anywhere in the world. There are several of these floating restaurants all in a row. Irresistible and persistent Chinese girls in large straw hats meet you on the shore and compete with one another for the privilege of taking you out in their sampan. This short trip gives you the opportunity to take a quick peek at the floating population which lives on the water all their lives. There is no doubt about the fish dinner being fresh. If you have the constitution for it, the standard procedure is to select the fish of your choice from a group swimming about apprehensively in overhanging bamboo baskets. The food is not too expensive and deliciously prepared. You are expected to have several courses, at least something like steamed clams with sauce for an appetizer, garoupa fried crisp and served with sweet and sour sauce, several crabs and then lobster, the "piece de resistance".

Be prepared to have a twinge of regret as you look out through the window of the plane that is taking you away from a little spot which always will be marked indelibly on your memory. Hongkong of 1955, is a colony of contrast —extreme wealth and extreme poverty, two cultures merged and yet so far apart. Staid Anglican and Roman Catholic churches hold solemn services while outside a Chinese corpse is being lowered out of a window so the spirits of evil will not know the soul has departed. On the street below, colorful and noisy festivities are under way. Hongkong is where ivory chopsticks and silver forks are used interchangeably, and where if you are ailing you can find the latest sulpha drugs, or, if you prefer, dried snakes for brewing.

Hongkong, one of England's smallest possessions, clings precariously to a mainland boundary manned by grim guards who look disapprovingly at the beauty and fun below. Hongkong, lived in and loved by a people who shrug their shoulders and turn their back on what is over the foreboding hills beyond, is an urgent must on all travelers' itinerary.

FINANCE & COMMERCE

HONGKONG EXCHANGE MARKETS

For the week 1 to 6 August 1955

U.S.$

August	T.T. High	T.T. Low	Notes High	Notes Low
1	HOLIDAY			
2	$584¼	583¾	581⅜	580⅞
3	584	583¾	581⅛	580¾
4	583⅞	583⅜	581½	580⅜
5	583¾	583	581	580⅝
6	583¾	583⅛	581½	580⅞

D.D. rates: High 582¼ Low 581¼.

Trading totals: T.T. US$1,200,000, Notes cash US$406,000, forward US$1,700,000, D.D. US$240,000. The market was very quiet and rates lower. In T.T. sector, there were offers from Japan and Korea but none from the Philippines and Bangkok. In the Notes market, shippers' demand for cash notes was strong. Interest favoured sellers at $2.55 per US$1,000. Positions figured at US$3 millions. In D.D. sector, market remained quiet.

Yen and Piastre:— There was no trading in forwards. Interests for change over were $9.02 per Yen 100,000 and $10.70 per Piastre 10,000, both in favor of buyers. Cash quotations: $1,425 per Yen 100,000; $827.50—800.00 per Piastre 10,000.

Far Eastern Exchange:— Highest and lowest rates per foreign currency unit in HK$: Philippines 1.985—1.945, Japan 0.01435—0.01415, Malaya 1.881, Indochina 0.08—0.0787, Thailand 0.244—0.24. Sales: Pesos 220,000, Yen 70 milions, Malayan $260,000, Piastre 6 millions, Baht 4 millions. The market was quiet.

Chinese Exchange:— People's Bank Yuan was nominally quoted at $1.85 per Yuan. No trading was reported. Taiwan Bank Notes: $169—161 per thousand; remittances 158—156 per thousand.

Bank Notes:— Highest and lowest rates per foreign currency unit in HK$: England 15.62—15.60, Australia 12.05, New Zealand 13.70—13.68, Egypt 14.80—14.70, South Africa 15.40, India 1.175—1.1725, Pakistan 1.03—0.98, Ceylon 0.96, Burma 0.64, Malaya 1.839—1.837, Canada 5.88—5.87, Philippines 2.09—2.075, Macao 1.015—1.01, Switzerland 1.35, France 0.015675—0.015625, Indonesia 0.12, Thailand 0.23¼—0.23. The depreciation of Pakistan Rupee from 57 to 82⅛ per Pound Sterling did not affect prices here.

Money Market:— Interest charged by banks: 6% to 10%; by Chinese native banks, 8% to 15% per annum. The announcement made by the three leading Banks to the effect that a 1% interest per annum would be paid on current deposits and 2% on savings, had little effect on the money market. However, the increase of interest rates on overdrafts and loans forced down prices of shares from recent gains. Real estate merchants, who have been utilizing credits for their business, will be discouraged from heavy speculation and might even be persuaded to lease out their holdings at a more reasonable price and on easier terms.

Gold Market

August	High .945	Low .945	Macao .99
1	HOLIDAY		
2	$252¼	252	
3	252¼	251⅞	High 262⅛
4	252⅜	251¾	261¾ Low
5	252⅛	251⅞	
6	252¼	251⅞	

The opening and closing prices were $252⅛ and 252; the highest and lowest 252⅜ and 251¾. The market was very quiet and prices fluctuated within a narrow margin. Interest favoured sellers at 40 HK cents per 10 taels of .945 fine. 19,250 taels were traded during the week averaging 3,850 taels per working day. Speculators took a daily average of 28,700 taels in forward. Cash sales totalled 11,750 (4,050 listed and 7,700 arranged). Imports were mainly from Macao and amounted to 8,500 taels. Exports totalled 10,500 taels (6,000 to Indonesia, 3,000 to Singapore, 1,500 to Rangoon). Differences paid for local and Macao .99 fine, which were used for export, were both at $11.80 per tael of .945 fine. Cross rates in the Exchange were US$37.76—37.75. 16,000 ozs. were contracted at 37.75 C.I.F. Macao.

Silver Market:— The market was very quiet with practically no change in rates. Very little business was transacted. Bars quoted HK$5.92—5.90 per tael with 800 taels traded; $ coins at 3.80 per coin with 1,000 coins traded; 20c coins at 2.92—2.91 per 5 coins with 1,000 coins traded.

HONGKONG SHARE MARKET

Last Wednesday, when the three leading banks in Hongkong announced that interest rates on advances would be increased, shares in the local market registered a sudden and sharp decline. Losses of up to 5% were recorded. The tone of business at the end of the week was uncertain. **Monday:** Holiday. **Tuesday:** The market continued active with rates hardening and in some cases reaching "new highs." Hotels were in demand throughout the day and rushed at the close to $20.60 on rumours. Trams were transacted as high as $26, the highest for the year. Rubbers were once more in demand with Amalgamated Rubbers in the lead. The market closed firm with a turnover of $4 million. **Wednesday:** The announcement made by the leading Banks on the increase of interest rates on advances caused an all round recession in prices on the market. Selling pressure was fairly heavy. There was a good volume of business during the half-day session amounting to approximately $2.8 million. **Thursday:** The market opened steady with buyers in evidence. Utilities and Cements were in demand and recovered fractionally during the forenoon. In the afternoon sellers reappeared causing a number of counters to ease towards the close. Hotels remained steady throughout. In spite of the sharp rise in the price of Singapore rubber to Str.$1.5325 per lb. share prices showed little change. The turnover for the day amounted to approximately $3 million. **Friday:** The market appeared to be following the same trend as the leading world markets which were being affected by new monetary measures. This caused a certain amount of liquidation and all stocks suffered in consequence. In some issues losses were quite appreciable and the market closed weak. The turnover for the day amounted to approximately $1.75 million.

Hongkong Stock Exchange in July

The highest turnover in one day for some years was the highlight of brisk trading during July and substantial gains in most stocks were recorded. Hongkong Banks and Unions continued in demand but with Union scrip scarce business in this stock was somewhat restricted. Lombards came in for attention at improved rates. Wheelocks were in great demand and a large volume of business resulted. China Providents enjoyed steady demand at advancing prices. Hongkong Dock and Kowloon Wharf shares showed appreciable gains. Hongkong Lands changed hands at $75 per share. Hotel and Realty shares were very popular and a large volume of business resulted at improved rates. Humphreys were enquired for and prices showed appreciable gains. Among Public Utilities all the favourite counters came in for attention with price increases. This was particularly noticeable in Yaumati Ferry, China Lights, Electrics and Telephones. Cements were largely dealt in at improved rates and continued in demand. Among stores, great interest was shown in Dairy Farms, Watsons and Lane, Crawford's at improved rates. Yangtszes and Allied Investors recorded substantial gains and active business. More interest was evinced in Cotton shares and a fair volume of business reported without appreciable changes in price. Amalgamated Rubbers were again in the lead among Rubbers and prices in this group registered increases in sympathy with the price of Raw Rubber.

Dividend announcements were made by Hongkong & Shanghai Banking Corporation and Douglas Steamship Co.

Business reported during July: $56,075,754. Business reported in 1954: $251,976,029. Business in Jan.-July 1955: $214,237,835. Business reported July, 1954: $20,584,269.

Business During July

	Qty. of Shares
H.K. Govt. Loan	
3½% .. (1934 & 1940)	$4,000
3½% .. (1948)	$86,000
H.K. Bank	1,881
H.K. Bank (Lon. Reg.)	50
Bank of East Asia	83
Lombard Insurance	4,184
Union Insurance	217
China Underwriter	500
Union Waterboats	500
Asia Navigation	8,700
Wheelock Marden	395,550
Wharf Co	3,990
C. Providents	99,767
H.K. Docks	17,428
Shanghai Docks	6,235
H.K. & S. Hotels	169,250
H.K. Lands	52,160
Shanghai Lands	4,455
Humphreys (O)	9,600
(N)	1,166
Realty	647,800
H.K. Trams	59,370
Star Ferry	1,620
Yaumati Ferry	29,133
China Lights (F. Pd.)	160,406
,, (P. Pd.)	82,171
H.K. Electric	123,425
Macao Electric	13,215
Sandakan Light	1,000
Telephones	106,944
Caldbeck (Ord.)	100
Cements	142,980
Ropes	7,900
Metal Industries	4,000
Metal Ind. (Rts.)	28,420
Dairy Farms	136,829
Watson	33,165
Lane Crawfords	10,598
Sincere	20
China Emporium	1,500
Wing On	100
China Entertainment	8,657
Vibro Piling	2,070
Yangtsze	142,901
Allied Investors	191,900
Ewo Cotton	8,000
H.K. Mines	180,000
Textiles	51,750
Nanyang Mill	53,250
Rubber	
Amalgamated Rubber	1,695,735
Ayer Tawah	2,156
Java-Consolidated	47,975
Langkat	3,100
Rubber Trust	631,451
S'hai Kelantan	90,000
S'hai Sumatra	2,810
Sungala	20,902

SINGAPORE SHARE MARKET

Towards the close of what has been the most active month of the year, the Federation Election and the proximity of the August Bank Holidays led to quiet markets and a considerable tailing off in turnover. Many Industrials remained unpopular, Tins eased in sympathy with London, but Rubbers continued to attract buyers.

Singapore markets regained a measure of confidence after the Commons had signified approval of the Governor's attitude. The intentions of local politicians remain obscure but the sense of proportion shown by the British Government and the Secretary of State for the Colonies should prevent further deterioration. The market in Federation stocks, particularly Tins and Rubbers, cannot be said so far to have been affected by the result of the Federation elections. The Alliance victory was a foregone conclusion even if its astonishing degree could not have been foreseen. 51 out of 52 electoral seats in a house of 98, where 46 members are to be nominated, was certainly not anticipated by the Legislative planners. However, the fact that the Alliance comprises three races with few if any leftist figures would lead us to expect a spirit of compromise in economic questions. And the bumper revenue arising from the higher price of rubber with the greatly increased rates of duty imposed from 1st July will militate against early increases in taxation.

Although Industrials were quiet, as prices fell more operators were tempted to come in and at the lowest levels many selling orders were disposed of. Fraser & Neave fell from $1.72½ to $1.67½ before fair quantities changed hands and similarly, Straits Traders did not attract buyers until they came back to $22.50. United Engineers were sold down to $11.00, Gammons from $2.70 to $2.57½, Singapore Cold Storage to $1.65 and Metal Box to $1.35. In contrast, Malayan Cements, due to overseas buying, were firm at $1.49 and Malayan Colliers improved to 77 cents. Colonial registered Hongkong Banks advanced to $985 and on the London Register shares were taken at £102, including stamp duty.

At the beginning of the period London bid for most Tin shares and this in turn encouraged gains in many Malayan counters, but as soon as London's enthusiasm waned, local sellers predominated. London not only accepted large numbers of Petalings up to $5.15 cum dividend and back to $4.80 cum dividend, but also Renong Tin on either side of 14/-. Ampats at 9/3, Tanjong Tin at 18/- and Ayer Hitam at 34/1½. Sungei Way remained active but declined from $3.75 to $3.70. Lower Perak had a considerable turnover down to 13/- and Kuala Kampar from 29/6 back to 29/-. Berjuntai were taken to 24/3 before declining to 23/6. Rawang Tin had sellers down to 10/9 and Tongkah Harbour to 8/1½. Some interest was revived in Kramats at 10/- and Kampong Lanjuts at 19/-.

The Rubber section accounted for a sizeable percentage of the total volume of business. Both here and in London buyers predominated. London accepted Chembong at 1/6½, Graigielea at 9d., Jeram Rubber at 3/7½ and Kepong at 2/9. Locally, not until Borelli reached $3.10 were buyers satisfied, and no business was possible in New Serendah until bids reached $1.65. Lunas had exchanges at $2.27½, Jeram Kuantan at $2.10, Kluang at $1.05 and Tapahs at $1.47½. Mentakabs advanced to $1.22½, Amalgamated Malay to $1.75, Kuala Sidim to $1.70 and Kempas to $1.70.

Offerings of local taxables were absorbed and considerable sums went into British 3½% War, 4% Funding and 3% Savings.

JULY TRADE REPORTS

The local commodity market in July was active with selective demand from Southeast Asia and Korea. China and Taiwan sent here more enquiries than orders while Japan was interested mainly in China produce. Trade statistics for July published by the Department of Commerce & Industry showed a drop of $35,704,367 in the total value of trade from that of the previous month. Imports at $270,440,806, were $32,766,552 lower; and exports at $190,261,624, were $2,937,815 less than June figures. Compared with values for July 1954, imports declined by $17,135,830; and exports dropped by $7,264,716. Cotton Yarn and piece goods enjoyed steady demand from Southeast Asia and UK; China produce remained popular with Japan and Europe; metals registered gains of a few selective items but low buying offers restricted trading; paper and industrial chemicals were active with orders from Korea and Southeast Asia but there was no bulk transactions; while pharmaceuticals were steady with more enquiries than orders from various sources.

TRADE DEVELOPMENTS

Regulations and Restrictions: The **United Kingdom** lifted the import quota on HK manufactured rattan and bamboo basketware. This item is now allowed entry into UK under Open General License. Hongkong processed/manufactured red and yellow lemons, white cucumber, Chinese ink (liquid), bambooware (made from Formosan bamboo), dried bean fertilizer, and electric table lamps (made from Bali wooden heads) can now be shipped to the **United States** under Comprehensive Certificates of Origin. Exports of HK products to **Mauritius** (E. Africa) and **Zanzibar** (Indian Ocean) must now be covered by HK Government Certificates of Origin. **Turkey** is now included in the Transferable Account Area.

China Trade: In the local commodity market, China made selective purchases in pharmaceuticals, scientific equipment, and industrial chemicals. Most of these orders were placed with manufacturers' local agents. The arrival of staples and light industrial products (paper, metals, industrial chemicals, cement, cotton piece goods, et cetera) from China remained steady. Recent developments indicate that China is using

HK as a stepping stone in the export of Chinese staples and industrial supplies to Southeast Asia. Goods transhipped through here included large quantities of cotton piece goods and paper. Singapore, India, Ceylon, and Burma developed more direct trade with China.

Taiwan Trade: Taiwan sent here citronella oil, tea, canned food, hogs and other staples and bought from the local market pharmaceuticals and industrial chemicals. The volume of trade was limited by low buying offers from Taipei and keen competition for Taiwan staples in the local market.

Japan Trade: During the first week, local dealers booked large quantities of Japanese cement, metals, sugar, and textiles to replenish stocks. Indent bookings, however, slowed down after the second week when indent quotations for various items advanced. Japan's demand for China produce from here improved considerably as a result of the differences between Peking and Tokyo over payment arrangements for Japan's direct purchase from China. Peking insisted on Sterling cash while Tokyo wanted to barter for Chinese salt and soya bean with exports. Negotiations were still pending by the end of the month. Meanwhile, Japan bought soya beans from here and imported salt from Thailand.

Korea Trade: During the month, US$2.5 million from the Military Aid Funds were auctioned in Seoul. Authorities there disclosed that the dollar auction would be stopped as soon as an agreement could be reached on the Hwan exchange rate. The dollars would then be sold at an official rate. Tenders for the supply of following items were invited by Seoul: lumber and sawmill products; non-metallic minerals and products; iron and steel mill materials and products; vegetable fibre products; fertilizers; railroad and bridge construction materials and equipment; prefabricated steel warehouses; scientific apparatus and supplies; industrial machinery; agricultural equipment; generators and motors; steel prefabricated buildings; mills, incubators; comb foundation; honey extractors; deep well ejector type water system; paints; linseed oil; gelatin; dynamite; telephone poles; window glass; and miscellaneous commodities. In the local market, Korea made selective purchases and the volume of the business was limited by low buying offers. Seoul also tightened import restrictions to prevent the infiltration of goods of Communist origin.

Indonesia Trade: Shipments to Djakarta consisted mainly of cotton yarns and piece goods, singlets and vests, motor cars, radio receivers, machinery, flashlight batteries and shirts purchased by importers in Indonesia with self-provided foreign exchange. Djakarta wanted to import more cotton yarns from here under the one-year credit plan. The reaction from Hongkong mills was not very warm. Meanwhile, Djakarta announced that all imports, with the exception of those purchased with self-provided exchange and essential materials for industries, must pay an excess profit tax ranging from 25% to 100% of the c & f value. Essential supplies exempted from the levy included: technical equipment, railway materials, medical supplies, mild powder, seeds, fertilizers, disinfectants, rice, newsprint, cardboard, M.G. kraft, M.G. sulphite, banknote paper, books and textbooks.

Thailand Trade: Export to Thailand improved considerably as a result of the increased shipment of Thai rice to HK; the ease of import control in Thailand; and the resumption of the supply of Hongkong exchange by Bangkok banks. Items shipped to Bangkok consisted mostly of Hongkong manufactured cotton textiles, paints, electric flashlights, cotton underwears, paper, metals, and sundries. Trade development, however, was restricted by the rise of HK dollars in Bangkok.

Burma Trade: Rangoon relaxed import restrictions on foodstuffs and canned goods from the Sterling area and Japan. Shipments from here to Burma consisted mainly of Hongkong manufactured rainwear, piecegoods, singlets, towels, bed sheets, umbrellas, electric flashlights and batteries, paints and varnishes.

Indochina Trade: There was a considerable improvement in exports to Cambodia and South Vietnam consisting of purchases made with US Aid Funds. Shipments to Phompenh included cereal, vegetables, paper, metals, sundries and Hongkong manufactures, wheat flour, cotton yarn, piecegoods, and food products.

The Philippines: There was a rush of shipments to the Philippines on the eve of the suspension of imports under self-provided foreign exchange. Hongkong products made up the major portion of these shipments.

COMMODITIES

China Produce: Demand from Japan, Europe and Southeast Asia for popular items remained strong throughout the month. Citronella oil eased under heavy arrival at the beginning of the period but later firmed up when indent advanced and demand from Europe and Japan improved. Teaseed oil was again available from China and over 1,000 tons were sold to London. Chinese raw silk was stimulated by marked-up indent and advances in overseas markets. Other items which registered gains included woodoil, aniseed oil, sunflower seed, gallnuts, mustard seed, groundnut kernel, feathers, linseed, menthol crystals, dried chilli, dried ginger, and soya beans. On the other hand, groundnut oil failed to improve on account of the heavy arrival from China. Sesame declined under selling pressure developed as a result of Japan's direct purchase of this item from Thailand. In spite of the steady demand from Southeast Asia, cassia lignea and aniseed star declined under heavy stock. Other popular items were cassia oil, camphor oil, silk waste, coir fibre, egg products, tea, rosin rhubarb, realgar, galangal, garlic, red beans, green peas and black beans.

Metals: Structural steels and factory items enjoyed steady local demand and orders from Southeast Asia. The volume of these purchases, however, was limited by price increases. Indent advance plus steady local demand stimulated mild steel round bars, black plate, blackplate waste waste, tinplate waste waste, and galvanized iron sheets. Prices of mild steel flat bars, wire rods, aluminium sheets, zinc sheets, galvanized steel plate, and galvanized iron wire gained on low stock. Scrap iron remained firm on orders from Japan while tinplate registered bulk local sales at attractive prices.

Paper: Orders from Korea and Southeast Asia were centred in a few selective items and usually small in quantity. With the exception of woodfree, newsprint in reels and transparent cellulose paper which improved on short stock and steady demand, other items were weak. By the end of the month, selling pressure developed by heavy arrivals from China and Japan depressed newsprint in reams, M.G. cap, M.G. white sulphite, M.G. ribbed kraft, and strawboard.

Industrial Chemicals: The market was active with small orders from Korea, Southeast Asia, and China. Indent advance and low stock improved linseed oil; while heavy supply depressed cresylic acid, soda ash and shellac. China was interested in boric acid, shellac, sodium perborate, and sodium bichromate, but as these transactions were mainly concluded with manufacturer's local agents, prices of these items failed to improve. Due to low buying offers from Southeast Asia and Korea trading was much limited.

Pharmaceuticals: Prices were kept steady by small orders from Thailand, Korea, and Taiwan. Popular items included penicillin preparations, aspirin powder, atophanyl ampoules, phenacetin, quinine powders, nicotinamide PAS, neosalvarsan ampoule, saccharum lactose, pituitary extract, streptomycin, sulphonamides, glucose powder, fish liver oil, and saccharine crystal. China bought 2 million vials of Japanese dehydrostreptomycin from manufacturer's local agents.

Cotton Yarns: More than 5,000 bales of HK products were shipped to Indonesia in addition to large quantities exported to UK and Burma. Local demand was also steady throughout the month. Japanese yarns were first stimulated by marked-up indents but heavy arrivals during the month depressed prices. Local dealers also booked Indian yarns at attractive prices.

Cotton Piece Goods: Hongkong piece goods remained steady with orders from UK, Burma, Indonesia and local bleaching factories. Japanese products first declined from recent gains but later firmed up on orders from Indochina and marked-up indents. Chinese piece goods also enjoyed a good demand and prices improved slightly.

Rice: Trading was very active in the local market but prices in general were weak on account of heavy arrivals from Thailand and other sources. By the end of the month when Thai rice improved on increased cost, trading here slowed down.

Wheat Flour: Slow export, marked-down indent for American soft flour, and keen competition from local products kept prices of imported goods at a low level. Only 50,000 bags were transacted during the month. This quantity was only half of that for the previous month.

Sugar: Orders from Singapore and Korea kept Taiwan products firm. Demand from Indochina for Japanese sugar failed to keep the price steady on account of heavy arrivals from Japan.

Cement: In addition to large shipment from Japan; China sent here 250 tons of cement at $110 per ton. Indent price of Japanese product remained at about $117 per ton cif HK. Retail price of Japanese cement was about $5.90 per bag of 100 pounds.

Hongkong Products: Hongkong manufactured goods consisted of the major portion of shipments to Southeast Asia during the month. Leading local exporters and manufacturers organized the Hongkong Exporters' Association to promote the sales of Hongkong products. The aim of the Association is to work closely with all those interested in the export trade of HK in order to develop overseas markets, disseminate information, eliminate malpractices, arrange for arbitrations, solve trading problems, and take all appropriate action to ensure that buyers are happy with, and the Colony can be proud of, any merchandise bearing the label "Made in Hongkong."

COMMODITY PRICES ON JULY 30

CHINA PRODUCE

Aniseed Star: Kwangsi, B grade, $83 per picul. **Cassia Lignea:** Kwangtung/Kwangsi, 1-cwt bale, $57 picul. **Cassia Broken:** 1st quality, $46 picul. **Dried Albumen:** Tientsin, 7s 2d per pound c & f Europe. **Duck Feather:** Hongkong processed, NN grade, $460 picul. **Goose Feather:** HK processed, GCS, 90%, $600 picul. **Garlic:** Not Toasted, Kwangtung, $40 picul; Toasted, Kwangtung, A grade of Kam Shan, $64 picul. **Realgar:** Hunan, $57 picul. **Raw Silk:** Shanghai, white, 20/22, AAA, $3,632 picul; B grade, $3,509 picul. Canton, natural, 20/22, $2,570 picul; 22/24, $2,520 picul. **Dried Red Chilli:** Yunnan, $80 picul. **Rosin:** Kwangtung, East River, X grade, $1,132 metric ton; West River, A grade, £76 per metric ton c & f Japan. **Sesame:** Hankow white, $95 picul; Vietnam brown, $64.50 picul; Thai black, $75 picul. **Mustard Seed:** North China, £69 per metric ton c & f Japan. **Linseed:** North China, £60.10.0d per metric ton c & f Japan. **Sunflower Seed;** North China, £37.10.0d per metric ton cif Japan. **Silk Waste:** Shantung, B grade, tussah silk waste, $5.07 per kilo. **Spun Silk:** Shanghai, 140/2, 50 kilo case, $1,690 per case. **Tea:** Black, Fukien, Oolung, 1st, $610 per picul; Taiwan, BOP, $325 picul. **Aniseed Oil:** Forward, drum excluded, $1,850 picul. **Camphor Oil:** Taiwan, refined, in drum, forward, $226 picul; Kwangsi, crude, $175 picul. **Citronella Oil:** Taiwan, $9.30 per lb. **Teaseed Oil:** In bulk, £104 per ton c & f London. **Woodoil Refined:** Spot. in drum, $172 picul; in bulk, $169. Forward, in drum, £184 per ton c & f Japan; in bulk, $166 picul. **Coir Fibre:** Szechwan, A, 12"/18", 18"/24", $100 picul. **Galangal:** Kwangtung, $26 picul. **Dried Ginger:** Szechwan, whole, $95 picul. **Hop Seed:** Tientsin, new, $67 picul. **Menthol Crystal:** Shanghai, $38.50 picul. **Rhubarb:** Tientsin, 1st quality, $31 picul. **Black Bean:** Kwangsi, $37.50 picul. **Red Bean:** Kiangsu, $107 picul; Vietnam, new, $40 picul. **Soya Bean:** Dairen, $45 picul, African, old, $37.50 picul. **Groundnut Shelled:** Tsingtao, unselected, $77 picul; Thai, lower quality, $58 picul. **Groundnut Oil:** Tsingtao, drum free, 4-week forward, $115 picul; Indian, 1% FFA new stock, $118 picul; Indian, refined, August forward, $120 picul.

METALS

Mild Steel Angle Bars: Cont or Jap—1/8" x 1¼" x 1¼", $41 picul; 3/16" x 1½" x 1½", $39.50 picul; 1/4" x 2" x 2", $38.50 picul; 3/8" x 3" x 3", $39 picul. **Mild Steel Flat Bars:** Cont or Jap—1/8" x 1/2", $45 picul; 1/8" x 3/4" and 1/8" x 1", $44 picul; 1/4" x 1" to 2", $43 picul. Hongkong—1/8" x 3/4" to 1", $39 picul; 1/4" x 1/2" to 1", $38 picul. **Mild Steel Round Bars:** Cont—3/8" dia, $40 picul; 5/8" to 1" dia, $39 picul; 1¼" to 1½" dia, $39.50 picul. Hongkong—3/8" to 1" dia, $38 picul. **Mild Steel Square Bars:** Cont or Jap—3/4" to 1½" sq, $44 picul. **Mild Steel Plate:** Jap—4' x 8'—1/32", $58 picul; 1/16", $49 picul; 1/8", $45 picul; 3/8", $42 picul. **Galvanized Steel Sheets:** UK, 4' x 8', 1/16", 64c per pound; 3/32", 63c pound. **Steel Wire Ropes:** HK—24 x 6 x 720'—1", $1.70 lb; 1¼", $1.50 lb; 1-3/4", $1.20 lb; 2¼", $1.05 lb; 2-3/4" and 3", 95c lb. UK—24 x 6 x 7—1¼", $1.65 lb; 1-3/4", $1.35 lb; 3", $1.05 lb. **Tinplate Waste Waste:** Electrolytic—US, 18" x 24", 1 ton skid, $87 per case of 200 lbs; UK, similar goods, $85. Coked—US, 18" x 24", 1 ton skid, $94 per case of 200 lbs; UK, similar goods, $92. Misprint—UK, 18" x 24" and larger, $47.50 picul. **Blackplate Waste Waste:** UK, 18" x 24" and larger, G29/G33, $39 picul. **Tinplate:** UK, 20" x 28", 112 shts with tin-lining, $128 per case of 200 lbs; without tin-lining, $125; 30" x 36", G26, 75c per lb. **Galvanized Iron Sheets:** Jap, 3' x 7'—USSG 24, 53c per lb; USSG 26, 54c lb; USSG 31, $5.40 per pc. **Blackplate:** Jap, 3' x 6', G18, $53 picul. **Aluminium Sheets:** Jap—4' x 8', 99.5% alloy, G22, $1.83 lb; 3' x 8', G13 $1.80, G20 $1.82, G24 $1.84 per lb. Rolled, UK, 2' width, 99.5% alloy, G31, $1.86 lb. **Copper Sheets:** German, 4' x 8' x 3/32" to 1/8" $2.25 lb. **Brass Sheets:** Jap—14" x 48"—10 oz to 12 oz per sq ft, $325 picul; 14/16 oz, $320 picul. UK—4' x 4', 20/25 lbs per sheet, $330 picul. **Zinc Sheets:** Cont—3' x 8', G8, $114 picul. **Galvanized Iron Wire:** Cont or Jap—G8, $47.50 picul; G10 and G12, $48; G14 and G16, $49; G18, $52; G20, $53; G24, $59. **Black Iron Pipes:** Cont—18' to 22'—3/4" dia, 46c per ft; 1¼" dia, 90c; 2" dia, $1.50 ft. **Galvanized Iron Pipes:** Cont—18' to 22'—3/4" dia, 53c per ft; 1" dia, 75c; 1-1/2" dia, $1.35; 2" dia, $1.85; 3" dia, $3.40.

PAPER

Cigarette Paper in Reams: 20" x 30", 22/23 gr—UK, with brand name, $13.60 ream; US, $20.50; Austrian, $12.80; Japanese, $13.60; French, $13 ream. **Cigarette Paper in Bobbins:** 29 mm x 6,000 m—US, $12 to $19.50 per bobbin; French, $11.50 bobbin. **Transparent Cellulose Paper:** 30 gr, 36" x 39"—UK $72 ream; Jap, $64; Italian, $66.50, French, $66; Swedish, $67; Belgian, moisture proof, $120 ream. **M.G. Cap:** 22/23 gr, 17½-lb ream—Austrian, $10.60 ream; Norwegian, $11.50; Jap, $10.60; Chinese, $8.10 ream. Coloured, 22 gr, 17½-lb ream, 25" x 44"—Cont, $12; Jap, $9.50; Chinese, $9.20 ream. **M.G. Pure Ribbed Kraft:** 35" x 47"—Swedish, 40 gr, 47-lb ream, $32.50 ream; Austrian, similar quality, $32; Jap, 38/39 gr, 45/46-lb ream, $29.60; Jap, 33/34 gr, 39/40-lb ream, $26; Cont, 60/160 gr, 75/160-lb ream, 70c pound. **M.G. Ribbed Pitched Kraft:** Swedish, 100 gr, 119-lb ream, 35" x 47", $85 ream. **M.G. Pure White Sulphite:** Swedish—40 gr, 47-lb ream, 35" x 47", $32 ream; 34 gr, 40-lb ream, $28.50. **M.G. White Sulphite:** Aust or Italian, $31.50; Czech or Polish, $31.20 per ream of 35" x 47", 40 gr, 47-lb ream. **Duplex Board:** 31" x 43", 250 gr, 240-lb ream—Swedish, $143 ream; Czech, $137; Norwegian $138; Jap, $107 ream. 31" x 43", 230 gr, 220-lb ream—Swedish, $137; Czech, $124; Aust, $126; Norwegian, $128, Finnish, $135; Jap, $100 ream. **Newsprint in Reels:** 50/52 gr, 31"—US, forward (Aug), 47½c lb; Canadian, 47c; Chinese, superior, 45c; Norwegian, forward (Aug), 48½c; Austrian, forward (Aug), 47c pound. **Newsprint in Reams:** 31" x 43"—Cont, 50/52 gr, 50-lb ream, $26.30 ream; Jap, 50 gr, 48-lb ream, $21.50; Chinese, 50 gr, 48/50-lb ream, $22.50 ream. **Woodfree Printing:** 31" x 43"—Austrian, Czech or Dutch, 62/83 gr, 65/80-lb ream, 82c lb; same origin but 90/100 gr, 90/100-lb ream, 81½c; Jap, 60/100 gr, 57/100-lb ream, 69c; Chinese, 60/90-lb ream, 65c lb. **Manifold:** 22" x 34", white—Swedish or Norwegian, 30 gr, 16-lb ream, superior quality, $15.50 ream; Austrian, 30 gr, 16-lb ream, $11.50; Chinese, 30 gr, 16-lb ream, $10.30 ream.

INDUSTRIAL CHEMICALS

Acid Boric: Powder—Italian, 100-kilo gunny bag, 62c pound; US, 100-lb paper bag, 60c lb. **Acid Cresylic:** UK, 448-lb drum, 78c pound. **Acid Stearic:** Belgian, needle form, 50-kilo bag, 85c lb; Australian, 140-lb bag, powder form, 65 cents lb. **Acid Oxalic:** Crystal—German, 100-kilo barrel, 70c pound. **Bicarbonate of Ammonia:** UK, $660 per ton; German, $620 ton; Polish, $570 ton. **Calcium Carbonate (light):** Jap, $240 ton. **Carbon Black:** German, 72-kilo case, $140 per case; US, 50-lb paper bag, $1.55 pound. **Caustic Soda:** Chinese, $106 per drum of 250 kilos; UK, $149 per drum of 300 kilos; Jap, $135 per drum of 300 kilos. **Formalin:** UK, 40% volume, 448-lb drum, 34c pound. **Glycerine:** Chinese, 20-kilo tins, $1.82 pound; Dutch, $2.20; Indian, $1.90 pound. **Gum Arabic:** Sudan, 100-kilo bags, 96c pound. **Gum Copal:** Malayan, No. 1, $244 per picul. **Gum Damar:** Malayan, No. 1, $292 per picul. **Linseed Oil:** UK, 400-lb drum, $130 picul. **Rosin:** US, WW, 517-lb drum, $84.50 picul. **Lemon Shellac:** Indian, No. 1, 164-lb case, $380 picul. **Soda Ash:** UK, $28.55 per bag of 90 kilos; Jap, $30 per bag of 100 kilos. **Sodium Bichromate:** Australian, 560-lb drum, $1.05 pound. **Sodium Nitrate:** German, 50-kilo gunny bag, $26 picul. **Sodium Perborate:** UK, 150-kilo drum, 96c pound; German, 100-kilo drum, $1 per lb; Dutch, 100-kilo drum, 98c lb. **Sodium Sulphide:** Chinese, 160-kilo drum, $450 per ton; UK, 5-cwt, $570 ton. **Tanning Extract:** Mimosa, South Africa, 50c pound; Quebracho, UK, 78c lb.

PHARMACEUTICALS

Penicillin-G Tablets: 12's, UK, 1957, 72c box. **Procaine Penicillin-G in Oil:** US, 1957, $2.60 per vial of 10 cc, 3 million units; UK, 1958, $2; French, 1956, $1.90. **Dihydrostreptomycin:** 1 gm vial—UK, 1958, 89c; UK, 1959, $1.40; French, 1959, 78c; Jap, 68c. **Aureomycins:** Caps, 16's x 250 mg, 1956, $24.80 bottle. **Sulphadiazine Powder:** UK, $39.50 pound; French, $39.50; Jap, $35; Danish, $37.50 lb. **Sulphaguanidine Powder:** UK, $7.20 lb. French, $7.30; Italian, $7.30 pound. **Sulphathiazole Powder;** French, $8.90 lb; Italian, $8.50 lb. **Sulphanilamide Powder:** US, $4 pound; UK, $4; German, $3.90 pound. **Quinine Hydrochloride:** Dutch, $145 per tin of 100-oz. **Saccharum Lactose:** Dutch, 86c pound; UK, $1.02 lb. **Santonin:** UK, $19.20 oz; Jap, £45 per kilo cif HK.

RICE

White Rice: Thai, Special 3% new crop, $57.30 picul; Thai, A 5%, new,

HONGKONG'S TRADING PARTNERS IN 1954

PART XIV

NORWAY

	Imports $	Exports $
Meat and meat preparations	1,774	—
Dairy products, eggs and honey	17,242	—
Fish and fish preparations	92,637	—
Cereals and cereal preparations	78	—
Sugar and sugar preparations	1,184	—
Coffee, tea, cocoa, spices and manufactures thereof	—	5,620
Miscellaneous food preparations	14,028	70
Beverages	11,894	204
Tobacco and tobacco manufactures	2,736	—
Hides, skins and fur skins, undressed	—	2,250
Textile fibres	355,805	4,124
Metalliferous ores and metal scrap	9,520	—
Animal & vegetable crude materials, inedible, n.e.s.	2,561	3,469,905
Animal and vegetable oils (not essential oils), fats, greases and derivatives	232,369	—
Chemical elements and compounds	223,843	—
Dyeing, tanning and colouring materials	92,404	—
Medicinal and pharmaceutical products	1,700	—
Essential oils and perfume materials; toilet, polishing and cleansing preparations	1,213	—
Explosives and miscellaneous chemicals and products	48,272	—
Leather, leather manufactures, n.e.s., & dressed furs	—	1,842
Rubber manufactures, n.e.s.	2,306	100
Wood and cork manufactures (excluding furniture)	34,188	—
Paper, paperboard and manufactures thereof	7,808,755	—
Textile yarn, fabrics, made-up articles and related products	136,670	392,764
Non-metallic mineral manufactures, n.e.s.	9,815	2,729
Silver, platinum, gems and jewellery	—	320
Base metals	481,227	—
Machinery other than electric	42,764	—
Electric machinery, apparatus and appliances	52,928	10
Transport equipment	10,000	6,000
Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings	5,963	54,884
Furniture and fixtures	—	23,372
Travel goods, handbags and similar articles	—	37,561
Clothing	—	731,964
Professional, scientific and controlling instruments; photographic & optical goods; watches & clocks	82	—
Miscellaneous manufactured articles, n.e.s.	56,385	3,250
Total	9,750,343	4,736,969

SWEDEN

	Imports $	Exports $
Dairy products, eggs and honey	366,461	188
Fish and fish preparations	—	3,115
Cereals and cereal preparations	960	66
Fruits and vegetables	—	21,686
Coffee, tea, cocoa, spices and manufactures thereof	—	4,341
Miscellaneous food preparations	—	8,059
Beverages	9,337	—
Textile fibres	916,497	—
Metalliferous ores and metal scrap	—	178,380
Animal & vegetable crude materials, inedible, n.e.s.	—	437,896
Animal and vegetable oils (not essential oils), fats, greases and derivatives	—	62,352
Chemical elements and compounds	160,021	4,483
Medicinal and pharmaceutical products	186,189	—
Essential oils and perfume materials; toilet, polishing and cleansing preparations	2,024	2,898
Explosives and miscellaneous chemicals and products	118,910	37,790
Leather, leather manufactures, n.e.s., & dressed furs	1,470,363	264
Rubber manufactures, n.e.s.	113,221	—
Wood and cork manufactures (excluding furniture)	1,980,982	13,959
Paper, paperboard and manufactures thereof	11,595,328	2,419
Textile yarn, fabrics, made-up articles and related products	19,784	980,463
Non-metallic mineral manufactures, n.e.s.	43,630	525,189
Silver, platinum, gems and jewellery	—	29,341
Base metals	126,747	—
Manufactures of metals	666,025	2,264
Machinery other than electric	633,041	389
Electric machinery, apparatus and appliances	175,348	32,788
Transport equipment	62,228	—
Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings	126,771	665,530
Furniture and fixtures	710	117,662
Travel goods, handbags and similar articles	—	92,539
Clothing	—	638,743
Footwear	—	52,536
Professional, scientific and controlling instruments; photographic & optical goods; watches & clocks	134,670	7,392
Miscellaneous manufactured articles, n.e.s.	316,634	322,423
Total	19,225,881	4,245,155

(To be Continued)

$56.30; **Broken Rice:** Thai, A-1 superior, new, $36.90; A-1 special, $36; A-1 ordinary, $34.40 picul.

WHEAT FLOUR

Wheat Flour, 50-lb bags: Australian, $12.80 bag; US, $12.50; Canadian, $16. **Wheat Flour, 100-lb bags:** US, $24 bag; Canadian, $33 bag.

SUGAR

Granulated Sugar: Taiwan, refined, No. 24, 2-week forward, ex-ship, $41.80 picul; Japanese, new stock, ex-godown, $39.10; Jap. 2-week forward, ex-godown, $37.50; Taikoo, ex-godown, $39.50 picul. **Malt Sugar:** Thai, $34.50 picul.

CEMENT

Green Island Cement: Emeralcrete, rapid hardening, 112-lb bag, $8 bag; Emerald, 112-lb bag, $7.05 bag; Emerald, 100-lb bag, $6.30 bag. **Japanese Cement:** 100-lb bag, $5.90 bag; 1-cwt bag, $6.40 bag. **White Cement:** Snowcrete, 375-lb drum, $65 drum; Snowcrete, 1-cwt bag, $15.40 bag; Danish product, 1-cwt bag, $15.50 bag.

COTTON YARN

Hongkong Yarn: 10's, $800 to $900 bale; 12's, $830 to $960; 16's, $1,000 to $1,050; 20's, $1,050 to $1,160; 26's, $1,190 to $1,240; 32's, $1,330 to $1,440; 40's, $1,350 to $1,790. **Indian Yarn:** 20's, $930 to $975 bale; **Japanese Yarn:** 32's, $1,370 to $1,540; 42's, $1,650 bale.

COTTON PIECE GOODS

Grey Sheetings: Chinese, 72 x 69, 36" x 40 yds, $32 piece; HK, 60 x 56, 36" x 40 yds, $34 to $36 piece; Jap, No. 2023, $36; No. 2003, $33.60 piece. **Jeans & Drills:** Chinese, 66 x 46, 61c per yard; HK, 84 x 48, 30" x 40 yds $29.50 piece. **White Cloth:** Chinese, "Hsun Liang Yu" $34.50 piece; HK, 34" x 40 yds, $34 piece; Jap, No. 16000, $43.80 piece.